FINANCIAL TIMES

World Business Newspaper · MONDAY JANUARY 30 1995 · D8523A

Spain's crisis
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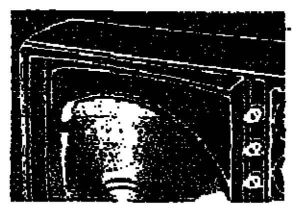

Media futures
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Fighting escalates in Peru-Ecuador border dispute

Peruvian troops with mortars and helicopters launched a "massive offensive" against Ecuadorean forces in an Amazon jungle, Ecuador said yesterday. The conflict flared last week over a longstanding border dispute, and yesterday the presidents of Bolivia, Colombia, Panama and Venezuela appealed to the combatants to stop fighting and resolve their territorial dispute peacefully. Ecuador said 23 troops were killed in clashes on Saturday. Background, Page 6

Hong Kong airport contract awarded: A five-strong consortium of two British, one Chinese and two Japanese companies has won the HK$10.1bn ($1.27bn) contract to build the passenger terminal for Hong Kong's new airport. Page 16

Passengers prepare for action over cruise: Some passengers who travelled on the QE2's Christmas cruise from England to the US have taken the first steps in a planned action against Cunard, the liner's owner. They are demanding a fare refund plus damages for mental stress, physical injuries and impaired health. A law professor who was on the cruise has said claims could total $62m. Page 16

Record sales for Texas Instruments: The US electronics and chip manufacturer reported record sales and earnings for last year. Full year revenues totalled $10.3bn, up 21 per cent from 1993. Page 19

Russia derides Dudayev threat: Russia said Dzhokhar Dudayev had lost touch with reality after the separatist leader threatened to spread the Chechen war to Russian cities. Russia continued its bombardment of Grozny, the Chechen capital.

Ten die in gold mine clashes: Ten South African miners were killed and more than 60 injured when rival gangs clashed at a gold mine in Orange Free State over the weekend. Anglo American Corporation said mine security officers fired rubber bullets to separate the rival gangs, but police had not been called in. Page 6

Austrian politician quits: Peter Marizzi, general secretary of Austria's ruling Socialist party and its parliamentary defence spokesman, resigned after being implicated in a bribes scandal. Page 2

Sierra Leone calls for calm: Sierra Leone urged foreigners not to panic after several western governments had advised their nationals to consider leaving following a spate of rebel kidnappings.

Death sentence for drug dealers: Twenty three heroin dealers were executed in a single day after public trials in Guizhou, southwest China, the province's newspaper said.

Sony of Japan predicts double-digit growth in its European operations this year thanks to strong sales of such items as CD-ROMs, televisions and video recorders. Page 19

Saatchi spurned over top job: Saatchi & Saatchi stepped up the search for a possible replacement for Maurice Saatchi after former Reed Elsevier co-chairman Peter Davis made it known he was not interested in the chairmanship of the troubled advertising group. Page 19

Israel presses PLO: Israel extended its closure of the West Bank and Gaza for a further week and urged the Palestine Liberation Organisation to use an iron first against Islamic guerrillas in exchange for a long-delayed Israeli troop withdrawal from occupied land.

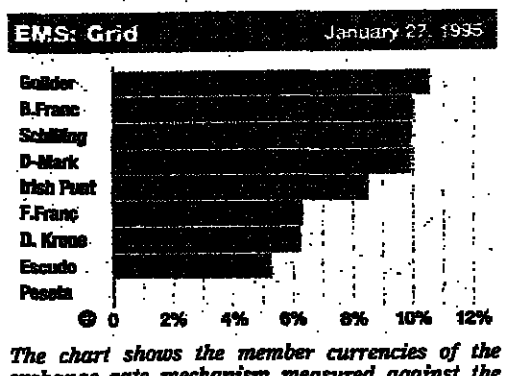
Ugandan troops dig in: Ugandan troops are digging in on their frontier to stop fighting spilling through after an escalation in the bush war in neighbouring Sudan.

Bihac under heavy shelling: Croatian Serb and allied rebel Moslem forces shelled the north of the Bihac enclave southeast of Velika Kladusa, a UN spokesman said. Bosnian Moslems, Serbs and Croats signed a four-month ceasefire on New Year's Eve which halted fighting in most of Bosnia except for the Bihac enclave.

Truck sparks nuclear alert: Lithuanian experts are investigating a truck that triggered radiation alarms on the border between Belarus and Lithuania. The truck, of a type widely used by the former Soviet military, was found to be carrying tungsten under a false floor.

European monetary system: The spread between the safe haven currencies at the top of the EMS grid and the Spanish peseta at the bottom remained around 10 per cent last week. The French franc joined the list of ailing currencies as rumours about illegal funding, involving the prime minister, drove the franc to a 14 month low. The D-Mark continues to benefit from the flight to quality amid political uncertainty in a number of European countries. Currencies, Page 25

EMS: Grid January 27, 1995



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Major attacked as 'hostage' to Eurosceptics

By John Kampfner, Westminster Correspondent

Lord Howe, the former foreign secretary, has launched a stinging attack on British government policy towards the European Union and called on the pro-Europeans to mount a rearguard action in the cabinet.

In an article in today's Financial Times, Lord Howe says Mr John Major, the prime minister, has become a hostage to the Eurosceptics, and has taken a tougher stand against Europe purely to entice the nine rebels back into the Conservative parliamentary party.

Lord Howe's comments reflect a deepening of divisions within the Tory party after a weekend of recriminations on both sides which has again cast a pall over Mr Major's hopes of re-establishing unity.

British foreign policy, Lord Howe says, is being "dragged into a ghetto of sentimentality and self-delusion". Mr Major should have achieved a cross-party consensus on Europe and not sought "the non-existent unity of a single party".

A multi-speed Europe, with Britain excluded from the heart of decision-making, would be a "national tragedy of huge proportions", he argues.

In a clear call to the pro-Europeans – notably Mr Douglas Hurd, the foreign secretary, and Mr Kenneth Clarke, the chancellor – to wrest back the initiative, Lord Howe urges "those who remain in John Major's cabinet" to ensure that the "hard core solution" does not prevail.

Mr Major, whose recent statements have heartened the Eurosceptics, has made clear he will block any moves at next year's European intergovernmental conference that might have constitutional implications for Britain.

That message was reinforced yesterday by Mr Michael Portillo, the employment secretary and chief standard-bearer of the Conservatives' Eurosceptics.

Mr Portillo said the cabinet had agreed "unanimously" at its session last Thursday to plan a strategy for the conference under which Britain would use its veto in three instances: if the right of veto itself were challenged; if attempts were made to change majority voting rights in the EU council to Britain's detriment; and if the European parliament were given additional powers.

Speaking from the world economic forum at Davos, Mr Portillo told Sky News: "There is no difference between me and the rest of the cabinet. There is no difference between me and the majority of the Conservative party."

It is claims by Eurosceptics to hold the centre ground in the debate within the Tory party that particularly infuriate the pro-Europeans.

Mr Portillo was responding to a speech by Mr Jacques Santer, the new European Commission president, who made clear that the rights of countries to veto EU legislation should be limited.

Mr Hans van den Broek, the EU's external affairs commissioner, said any increase in Britain's use of the veto was unacceptable.

Santer calls for security co-operation, Page 4
A better European policy for Britain, Page 14

Trade split looms as US-China talks on copyright stall

By Tony Walker in Beijing

China and the US are heading for a damaging trade rift over intellectual property rights violations unless Beijing agrees to last-minute talks in Washington by February 4.

The two sides failed, after nine gruelling days, to agree at the weekend on steps to curb Chinese piracy of compact and laser discs and computer software.

The US is threatening sanctions on some $1bn worth of Chinese imports under section 301 of the trade act if no agreement is reached by the deadline.

China has not yet accepted a US invitation to continue discussions in Washington, but an official said the two sides had made progress and that negotiations were not yet at an impasse.

Beijing blamed the US for the failure of the talks to reach a conclusion, but a Ministry of Foreign Trade and Economic Co-operation official said: "We still hope that the two sides will adopt positive measures and settle the intellectual property dispute at an early date through equal and friendly consultations." US officials were mildly encouraged by the somewhat conciliatory tone of the Chinese statement.

In Washington, Mr Mickey Kantor, the US trade representative, said: "If there is not agreement by February 4, I will authorise publication of a final list of Chinese imports that will be subject to 100 per cent tariffs."

In the event of sanctions, Beijing has threatened to suspend talks with US carmakers on joint ventures. It has also said it would impose tariffs on imports of US cassette tapes, compact discs, cigarettes, alcoholic drinks and cosmetics.

China and the US have been locked in negotiations for months over the piracy issue, with the US entertainment and information industry claiming that it is losing about $1bn a year through flagrant Chinese counterfeiting.

Mr Kantor said the US was "looking for real and concrete action". US officials have identified 29 factories in China's southern regions engaged in piracy and Washington is demanding that China either close the pirate institutions or oblige them to shut down production lines for counterfeit items such as compact and laser discs.

US officials have been seeking immediate action against violators and an improvement in the operation of the legal system that would enable companies to seek redress against pirates.

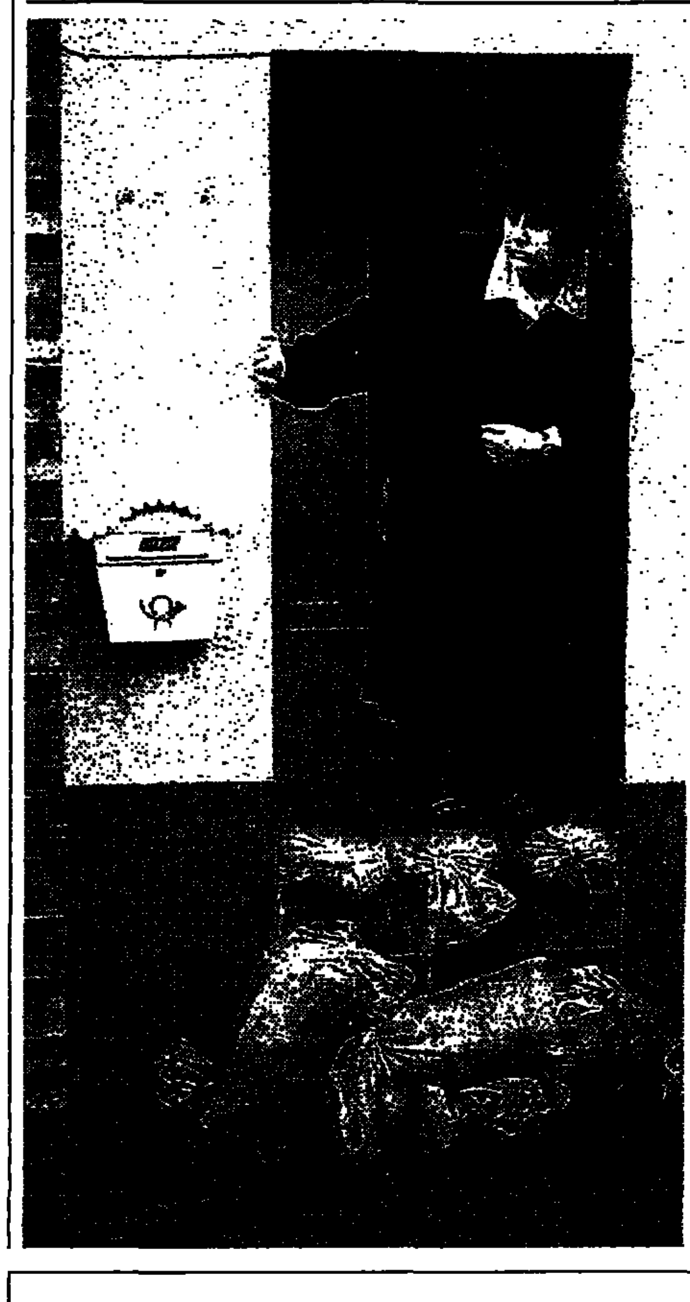
An official Xinhua report said that "consensus was reached" on many issues in the Sino-US discussions. "However, the US side put forward one new demand after another, some of which are not within the scope of the protection for intellectual property rights."

Among issues discussed were patents, trade marks, copyright, protective customs measures at China's frontiers, and the setting up of a special task force to "crack down on the violation of intellectual property rights".

The International Federation of the Phonographic Industry estimates that China produced 75m pirate CDs last year, 70m of which were exported.

Foreign banks in Beijing, Page 17

Rain brings further chaos to western Europe



Death toll mounts as more floods are forecast

A woman trapped by floods in her home in Dinant, Belgium, yesterday, waits for rescue workers to bring her some food.

Three people died in accidents caused by severe weekend flooding in Belgium and officials said that with more rain forecast flood levels on the river Meuse, which runs through Dinant, could exceed a record set in 1993.

The weekend fatalities brought the country's death toll in the last few days to six.

Heavy rains have continued to bring chaos and death to many parts of western Europe, with two people dying in Germany and a German motorcyclist being drowned in Luxembourg.

Officials yesterday said water levels in the southern Netherlands, western Germany and Belgium had stabilised overnight but predicted the floods would get much worse over the next few days.

In the Netherlands the authorities were trying to prevent a repeat of the flooding which hit the country in December 1993 which forced the evacuation of 8,000 people.

In France, where 16 people have died, hundreds were evacuated from their homes in Charleville-Mezieres on Saturday when the Meuse burst its banks. About a third of the small Normandy coastal resort of Ouistreham was reported flooded. Business travel, Page 11 Picture Reuter

Wellcome counters Glaxo bid with drug launch

By David Blackwell in London

Wellcome, the UK pharmaceuticals group, will step up its resistance today to the £9.2bn bid from drugs industry rival Glaxo with the launch of a new drug just days after regulatory approval.

Wellcome is also understood to be bringing the announcement of its 1994 results forward from March to the end of this week, and to be working on valuations of the group that will show it has been undervalued by Glaxo.

The new drug is Valtrex, a herpes virus treatment that received its first approval – from the UK and Ireland – late last week. Mr John Robb, chairman and chief executive, believes that new drug approvals will add to Wellcome's attractions to potential bidders.

Wellcome is looking for a white knight – a friendly alternative bidder – following a commitment by the Wellcome Trust, owner of nearly 40 per cent of its shares, to accept the Glaxo bid. The company recognises that it cannot retain its independence, but claims the Glaxo offer does not maximise shareholder value.

Under Takeover Panel rules, Glaxo has until February 20 to send its offer document to share

Continued on Page 16
The man who welcomed Glaxo, Page 11

Hungary finance minister leaves over slow reforms

By Virginia Marsh in Budapest

Mr Laszlo Bekesi, the Hungarian finance minister and architect of the Socialist party's economic reform programme, has resigned after losing a long battle with government hardliners over control of privatisation.

His resignation casts further doubt on the government's commitment to privatisation and economic reform. It comes just two weeks after the sacking of another prominent reformer, Mr Ferenc Bartha, the privatisation chief, and a two-month delay in naming a new central bank governor. Mr Bekesi resigned on Saturday after failing to convince the prime minister and other party leaders to allow the finance ministry to keep control of privatisation.

Mr Bekesi's resignation is a further blow to an already divided governing coalition. Many in the Alliance of Free Democrats, the liberal junior partners, are unhappy with the government's leftwing direction and the autocratic style of Mr Gyula Horn, the Socialist prime minister.

The appointment of Mr Bekesi, on the liberal wing of the Socialist party, as finance minister was an important factor in persuading the Free Democrats to form a coalition last July with the Socialists, the former communists.

Mr Ivan Peto, president of the Free Democrats, told Hungarian Radio: "It is not just a minister who has resigned but the person whose name has been synonymous with the government's economic policy . . . I am alarmed." He warned the cabinet against modifying the reform programme.

Mr Bekesi's unexpected departure was greeted with dismay by foreign investors, already unnerved by Mr Bartha's dismissal and delays in privatisation and other promised market reforms.

One western investment banker said yesterday: "This is the worst possible signal at the worst possible time. I am really beginning to wonder where the government is leading this country and if it has any idea of the consequences."

Investors said the resignation made it even less likely the government would achieve this year's privatisation revenue target of $1.2bn – due to come mainly from the sale of stakes in energy companies – and would further unsettle capital markets.

Mr Horn said at the weekend that the government's clear aim remained the acceleration of privatisation. But Mr Bekesi, in explaining his resignation which will take effect from March 1, said the government had changed its strategy and that privatisation was not moving in the direction envisaged in a draft bill due to go before parliament this week.

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60
Cyprus	C£1.10	India	Rs75	Norway	NKr16.00	S. Africa	R12.00
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)		Tunisia	Din1.500
France	FFr10.50	Lebanon	US$1.50		Es230	Turkey	L40,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

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French republicans opt for an outsider

Balladur wins the ballot, writes **Andrew Jack**

The vote was counted and unequivocal, the crowd was cheering, the posters flapping. Only one thing was missing at the Republican party congress to select its candidate for the French presidency: the victor himself.

Mr Edouard Balladur, the prime minister and front-runner in the race for the Elysée Palace, overwhelmingly won his endorsement this weekend. But while the Parti Republicain (PR) made its widely predicted choice in a conference centre outside Lyons, Mr Balladur was speaking in Paris – to members of his own party, the RPR.

While political parties in many countries might find the idea of choosing someone from outside their own ranks rather strange, in France things can happen in reverse. The PR went as far as supporting non-members more strongly than its internal candidates.

So Mr Balladur received 93.4 per cent of the 2,201 votes cast by PR representatives around the country, while in second place – with 4.1 per cent – was Mr Jacques Chirac, the former prime minister who is his ally turned arch-rival in the presidential race, who was until recently head of the RPR.

That left the PR's own Mr Charles Millon, a deputy in both the national and regional assemblies, to scrape just 2 per cent of the votes, or 41 ballots. His only compensation was to beat the Euro-sceptic Mr Philippe de Villiers, a former PR member now standing on his own behalf, who received only 0.5 per cent.

The endorsement also cuts away potential support from Mr Raymond Barre, the former prime minister and previous presidential contender, who is allied with the UDF, the coalition of centre-right parties of which the PR is the largest component with 107 deputies. He may yet run again this year.

The selection was not unmarked by battle. Mr Millon repeated his previous warning that selecting a candidate from outside the PR would destroy the UDF coalition. He said that voting for Mr Balladur – who has given little indication of his campaign platform – was like "signing a blank cheque". Hecklers in the crowd responded by shouting "0.5", suggesting the proportion of the national vote Mr Millon would win.

More in a spirit of self-preservation than an attempt to proselytise the gathered party faithful, Mr Alain Madelin, the enterprise minister, explained his endorsement of Mr Chirac. He said France needed "radical" reform, not the "continuity" of Mr Balladur. "The French are more courageous. They need to be led, not mothered," he said.

Some in the crowd responded by yelling "81", a reference to the year of Mr Chirac's defeat in the race which brought the socialists to power under President François Mitterrand for the first of his two seven-year terms.

The divisions were all well symbolised by the PR logo on the conference stage – two arrows pulling in opposite directions, the dominant one to the right.

There again, PR, which was founded in 1977 by Mr Valéry Giscard d'Estaing, the former French president, has long been wracked with internal fighting, so much so that Giscard himself is no longer in evidence following a fall-out with Mr Gerard Longuet, president of the party.

Mr Longuet was a minister of industry until he resigned when placed under examination by magistrates late last year, as part of an investigation into illegal party financing. He called for an end to feuding, urged changes on the party and backed the selection of its own candidate in the next elections.

Edouard Balladur: won unequivocal endorsement Reuter

Nordic nations reaffirm ties after EU link

The Nordic countries plan closely to co-ordinate their policies on the European Union under an agreement reached between the prime ministers and foreign ministers of the five nations yesterday, writes Hilary Barnes in Copenhagen.

The leaders also stressed the importance of Nordic relations with the Baltic Rim countries and the Barents Sea-Kola peninsular areas in the far north.

The Nordic summit in Copenhagen was called by Mr Poul Nyrup Rasmussen, Danish prime minister, to discuss the future of Nordic co-operation following the decision of Finland and Sweden to follow Denmark into the EU. Norway and Iceland remain outside the Union.

A key concern at yesterday's meeting was to avoid the isolation of Norway, where the electorate voted against EU membership in last November's referendum.

Although it is not a member of the EU, Norway is a part of the single market through the European Economic Area agreement, and this, said Mrs Gro Harlem Brundtland, the Norwegian prime minister, meant that "the agenda is the same for all of us".

According to a communiqué issued after yesterday's meeting, the summit agreed on the need for early consultations on important European political issues in order to arrive at common positions, where this was appropriate, and to identify differences at an early stage.

Institutionalised co-operation on European issues may raise hackles in the southern member states of the EU, where there have been long-standing worries that a Nordic bloc will tilt the balance of influence against the interests of southern Europeans.

Chirac attempts a Norman conquest

The presidential contender shrugs off setback on a foray into country, writes **David Buchan**

Republicans-for-Chirac are scarcer than hens' teeth in the Norman countryside. So, on his weekend presidential campaign swing into Normandy, Mr Jacques Chirac made the most of two Republicans – Mr Yves Bonnet, the local MP for Cherbourg, and Mr Alain Madelin, the Balladur government minister who was vainly fighting the Chirac cause down in Lyons.

Already suffering the indignity of seeing much of the RPR Gaullist party that he led for two decades declare for Prime Minister Edouard Balladur, Mr Chirac had the extra blow this weekend of the Republicans – the largest component of the centre-right UDF federation – massively endorsing the premier at their Lyons congress.

Republican dissidents such as Mr Bonnet are therefore all the more treasured by the Chirac campaign.

Why is he pro-Chirac? "Because he is a statesman, and I want a statesman's hand on France's nuclear button", he replies.

Nuclear issues are important to the Cherbourg peninsula which harbours the La Hague nuclear reprocessing plant. France's nuclear weapons are also the intended guarantee that the country will not need to be liberated again – and, of course, Normandy is liberation territory par excellence.

But, for all the references in his speech to 1944 and General de Gaulle's return to France, and to 1958, the year of the general's advent to power, Mr Chirac gives the impression of identifying rather more with de Gaulle in 1940, when all the odds were stacked against him.

But at least he has much of the farm vote with him, as was clear at a Friday night rally in St Lô, where farmers formed about half the 2,000-strong crowd, and at smaller meetings the following day. It may seem strange that someone who has been mayor of Paris for the past 17 years feels so evidently comfortable in a farmyard. But Mr Chirac is also a deputy for the Corrèze in the south-centre of the country, and when he says he was never happier in a job than when agriculture minister in 1972-3 he clearly means it.

Gone, however, is his old rhetoric against the trade restrictions on European agriculture.

This is one battle he is not re-opening with Mr Balladur, whose government eventually accepted the Gatt deal. But there is still an anti-American vein to be tapped.

In calling for new measures to improve further France's position as the world's second largest agricultural exporter, he wins a cheer for declaiming: "Let's not abandon the monopoly of 'green power' to the US."

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German ex-communists agree to modernise

By Judy Dempsey in Berlin

East Germany's reformed communist Party of Democratic Socialism yesterday secured support to become a modern Germany-wide left-wing party.

After three days of bitter polemics between the moderates led by Mr Lothar Bisky, who was comfortably re-elected as chairman, and the old-style Stalinist Communist Platform, led by Ms Sahra Wagenknecht, the party agreed on a five-point programme. This is anchored on a commitment to pluralism, as well as co-operation with other left-wing parties in its attempt to share power at state level.

The PDS already supports the minority Social Democratic-led coalition government in the eastern state of Saxony-Anhalt.

Despite acceptance of the programme by the 426 delegates, leaders of the PDS believe the party is still locked in a struggle, not so much with the Communist Platform, which boasts only 1,000 from the 123,000 total membership, but with those still nostalgic for the former German Democratic Republic.

"There are so many in the party who treat the PDS as a home. Many of these are former SED [communist party] members. They cannot understand why we want to modernise the party and why we are so critical about the past," said Mr André Brie, the party's main strategist. Their passivity and reluctance to see the PDS as anything different from the SED, was hindering the party's plans to modernise.

"The party is still a protest party as well as a party for the old nostalgics," said Mr Brie.

Between now and the next election due in 1998, the PDS wants to establish contacts with Bündis 90, the east German citizens movement which has joined with the west German Greens even though the former loathes the PDS, seeing it as a repository of old communists. Over 95 per cent of the PDS's membership are former SED cadres. "We have to seek co-operation with liberal and left wing groups because we cannot get power or influence alone," said Ms Dagmar Albinsky, a delegate from the state of Mecklenberg-Vorpommern.

The PDS also wants to put down roots in west Berlin and other parts of west Germany as security against falling membership in the east. To achieve this, however, the PDS has to attract younger members whose memory is not rooted in the SED or 40 years of communist rule. "It's the youth we need," said Ms Albinsky. "They have the energy and the ideas."

The governing Social Democratic party (SPD) in the German state of Hesse wants the controversial "solidarity" income tax surcharge scrapped, a move likely to prove popular among voters who go to the polls to elect a state parliament on February 19, writes Judy Dempsey. Mr Hans Eichel, the prime minister of Hesse, who governs in coalition with the environmental Green party, said he would try to have the tax abolished through the Bundesrat, Germany's upper house, which is dominated by the SPD and its coalition partners. The 7.5 per cent surcharge on taxable income was reintroduced on January 1 to finance the high costs of German unification. Mr Theo Waigel, the finance minister, said the tax might be phased out by 1998.

Mr Eichel, addressing a federal meeting of workers' councils in Frankfurt at the weekend, said the tax was damaging Germany's competitive edge, particularly since a range of other taxes had been increased last month. The SPD is determined to tap the tax issue in the run-up to the elections, the first state poll since last October's federal elections in which Chancellor Helmut Kohl's governing Christian Democratic-led coalition had its majority cut to just 10 seats.

EUROPEAN NEWS DIGEST

Austrian MP quits in scandal

Mr Peter Marizzi, general secretary of Austria's ruling Socialist party and its parliamentary defence spokesman, resigned all his posts yesterday after being implicated in an alleged arms kickback scandal. Mr Marizzi, 47, said in a statement that he was resigning after the Austrian media painted him as a co-conspirator in a plot to take commission from a multi-million-dollar arms deal for his party and for its junior coalition partner, the conservative People's party (OeVP). The OeVP's defence spokesman, Mr Hermann Kraft, resigned on Wednesday after a weekly magazine said it had a tape recording of him making the proposal to Mr Marizzi in February 1994. The magazine published on Thursday what it said was a transcript of Mr Kraft's suggestion to Mr Marizzi to accept $6.5m commission on a possible deal with British Aerospace to supply army helicopters. No deal has been concluded. The affair sparked calls from the opposition Greens, Liberals and Freedom party for a special session of parliament. *Reuter, Vienna*

Spain raises target for cuts

Mr Pedro Solbes, Spain's finance minister, has raised government estimates of spending overruns but plans to rein in government expenditure. The figure for higher spending and the delay in checking it was criticised yesterday by Mr José María Aznar, the conservative opposition leader, who said the government risked losing the confidence of overseas investors. Mr Solbes, who is attempting to wrestle down the budget deficit from a forecast 6.7 per cent of GDP in 1994 to 5.9 per cent this year, said at the weekend that he wanted spending cuts of Pta550bn ($4.2bn), more than 3 per cent of the government's planned expenditure this year, in order to keep to the deficit target.

Last week the finance minister had said the mini-budget would involve cuts of Pta400bn, of which Pta150bn would offset additional requirements created by higher interest rates since the begining of this year. In addition to increased debt servicing charges, Mr Solbes has identified spending overruns during January in the health service and in central government transfers to local authorities. The finance ministry's decision to revise the overrun figure upwards undermined agreement on spending cuts and resulted in the mini-budget being postponed until Friday. *Tom Burns, Madrid*

Between a rock and a hard place, Page 15

Judge to quiz Alcatel chief

The magistrate leading an investigation into alleged malpractice and abuse of corporate funds at Alcatel Alsthom, the French transport, telecoms and engineering group, has been authorised to question Mr Pierre Suard, the chairman, about work done at his residence in the Neuilly suburb of Paris.

Mr Jean-Marie d'Huy, the magistrate, has been investigating the financing of security and renovation work at the properties of Mr Suard and another senior executive. The investigation stems from a separate probe into allegations that Alcatel overbilled France Télécom, one of its principal clients, for telecommunications equipment.

In July last year Mr d'Huy placed Mr Suard under investigation concerning building and security work at his former residence in Boulogne-Billancourt in western Paris. The Alcatel chairman denies any wrongdoing over either the building work at his residences or in the company's dealings with France Télécom. He has complained about breaches of judicial secrecy concerning the investigations, which contributed last year to a sharp fall in the company's share price. *John Ridding, Paris*

Paul Lichtenberg: banker

Mr Paul Lichtenberg, one of Germany's leading post-war bankers, has died at the age of 83. As chairman of Commerzbank – the third largest of the big three Frankfurt-based commercial banks – he played an important role in its development in the 1970s, later returning after his retirement to help it recover from the effects of a mistaken judgment about interest rate trends. Born in Bonn, the son of a banker, Mr Lichtenberg spent all his working life at the bank. He joined the managing board in 1958 and became chairman in 1969. As well as his powerful position in west German banking, he exercised considerable influence in industry. He played an important part in the restructuring of GHH, the industrial concern now known as MAN.

It was while he headed the bank that it moved its headquarters from Frankfurt to Düsseldorf. He also developed the mortgage banking activities of Commerzbank, and devoted considerable attention to capital markets. He stepped down from the management board in 1976 to head the supervisory board. But he was soon back. Under his successor, Mr Robert Dhom, Commerzbank had wrongly forecast the way interest rates would move and fell into losses; in 1980 it paid no dividend. After Mr Dhom left, Mr Lichtenberg again took the chairman's role for a short while. He then found an equally tough successor, Mr Walter Seipp.

Rifkind backs bigger Nato that keeps military might

By Bruce Clark, Diplomatic Correspondent

Mr Malcolm Rifkind, UK defence secretary, will call today for an enlarged and combat-ready Nato which would avoid creating new divisions or alienating Russia.

In a speech to the Royal Institute of International Relations in Brussels, he will give a taste of London's position in the forthcoming debate among Nato's 16 existing members about procedures for expanding the group.

Nato has promised to present the results of this debate to would-be members by the end of the year, possibly sooner. Poland, Hungary, the Czech republic and Slovakia are seen as prime candidates for entry, while Romania, Bulgaria and the Baltic states are also keen.

Although Britain was initially cautious about Nato enlargement, Mr Rifkind will stress today that London is fully aligned with Washington and Bonn in supporting that project – so long as it does not dilute Nato's defence capacity or its military structure.

UK officials are also warning that the first wave of newcomers to Nato must not be allowed to veto others, and insisting that the need to find a place for Russia in Europe's security order is undiminished. One possible way to meet this need, the officials say, could be a new treaty between Moscow and the western allies.

Mr Rifkind's commitment to retaining the alliance's military structure – in which Britain plays a pivotal role – amounts to a quiet rebuff to any German politicians who want to enlarge Nato quickly, as a political gesture, while worrying about the operation effects later.

Germany has called for Nato expansion and European Union enlargement to go hand in hand. British officials – keen to demonstrate the sincerity of their conversion to the cause of a larger Nato – argued that some countries could join the Atlantic alliance before the EU.

Despite his insistence on retaining military structures, Mr Rifkind is expected to emphasise that the ultimate responsibility for defence must lie with the nation state – as opposed to any supra-national political entities, such as the European Union, its commission or legislature.

A team of experts – commissioned by the EU's external affairs chief, Mr Hans van den Broek – called last week for the creation of a European intervention force of up to 200,000 soldiers.

However, Britain remains sceptical of any proposal for collective security that fails to involve the US in the defence of Europe. After a period of uncertainty, London is increasingly confident that Bonn, and above all Washington, share its ideas on the importance of the transatlantic link.

London's views on the need for a US presence in Europe have been hardened by growing uncertainty over Russia's future of Russia. The fighting in Chechnya and political ferment in Moscow, have prompted a vigorous debate among US policymakers over developments in Russia.

As Mr Douglas Hurd, the foreign secretary, made clear recently, it is no longer taken for granted that political and economic reform in Russia will have a happy ending. A wide range of scenarios is thought possible including a slide into authoritarian nationalism.

This outcome – described by Mr Hurd as a mixture of Stalin and the "double-headed eagle" of Tsarism, is seen by UK officials as less likely than several others: there could be a prolonged period of power struggle between various political forces with no clear victor, or a reversion to internal authoritarianism combined with a restrained stance in foreign affairs.

In any case UK officials say they are determined not to prejudice the chances of enlightened forces winning out in both domestic and foreign policy. "Now of all times, we don't want to send a message that we have written Russia off," said one senior official.

Malcolm Rifkind: UK fully aligned with Washington and Bonn

Reformers seek to salvage market reforms in aftermath of Chechen war

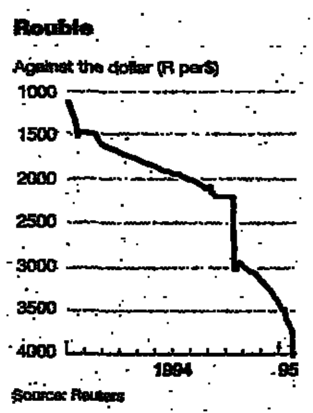
Russia considers fixed rouble rate

By Chrystia Freeland in Moscow

A senior Russian minister said the government was considering a fixed exchange rate to prop up the faltering Russian currency.

Mr Anatoli Chubais, deputy prime minister and the senior economic reformer in the cabinet, said on Friday that a fixed exchange rate, unlikely to be introduced for at least three months, was one possibility being studied by the government's reform team.

He said that a fixed exchange rate would be "a demonstration of the stability of the Russian economy and the Russian financial system". His comments are part of a broader effort by liberals in the government to salvage market reforms in the aftermath of the Chechen war.



However, Mrs Tatiana Paramonova, the acting chairwoman of the central bank, said last week that treasury bills issued by the Ministry of Finance threatened further to destabilise the rouble, which fell to historic lows last week. Mrs Paramonova warned that the treasury bills "could lead to stronger inflationary pressures and, in the long term, divert investment from the private sector and thus lead to a continuation of the economic crisis".

Mrs Paramonova's warning highlights the fragility of the Russian government's attempt to bring macro-economic stabilisation to an economy which has not yet been fundamentally restructured.

One of the keystones of the government's stabilisation programme has been its pledge that the government will no longer finance its deficit by borrowing from the central bank. This practice, which amounts to printing money, was one of the principal causes of Russia's runaway inflation last autumn.

Over the past two months, Mrs Paramonova has stuck to a tight monetary policy, earning praise from western economists. But, instead of borrowing from the central bank, the government has covered the deficit with treasury bills issued by the Ministry of Finance.

However, market scepticism about the government's ability to maintain tight fiscal and monetary policy has driven up the cost of treasury bills for the government. Last week, the Ministry of Finance was forced to pay annualised 300 per cent yields on three month treasury bills. Even with these high returns, recent treasury bill offerings have been undersubscribed.

Some brokers, concerned that much of the money raised from current treasury bill offerings is being used to pay off treasury bills sold in the autumn, have described the government bonds as "a pyramid scheme".

Mrs Paramonova's warning suggests that she shares the fears of western economists that, as the treasury bill pyramid becomes shakier over the next few months, the central bank could be required to step in and bail out the government. "By June, they will probably be forced to monetise the debt by printing money again, and inflation will rise," one western economist predicted.

Yeltsin 'involved in setting up oil exporter'

By Chrystia Freeland

Russian President Boris Yeltsin was personally involved in the establishment of a new, privileged exporter of oil, according to an industry newsletter reported today.

Today's issue of Weekly Petroleum Argus, a specialist newsletter, reported that Mr Yeltsin was directly involved in the creation last week of Russia's most recently formed oil exporter, Rostoplivo.

The allegation that one exporter has Mr Yeltsin's personal backing casts further doubt on promises by the Russian government earlier this year to liberalise oil exports. Genuine liberalisation of oil exports has been one of the central demands of the International Monetary Fund in its negotiations with Russia over a $6.25bn standby loan.

The Russian government appeared to give in to IMF pressure earlier this month with a decree liberalising oil exports. But western economists and oil companies have since raised concerns that the decree is being implemented in a manner which effectively preserves the old, regulated system of exports.

One of the major obstacles to true liberalisation of oil exports is the system of special exporters, a small group of licensed companies through which oil producers are required to sell their exports. Western economists are concerned that the system opens the door to corruption, because oil producers are required to woo the privileged special exporters and the government officials who grant them their licences.

Petroleum Argus reported today that, rather than slashing the number of special exporters, as Russia had promised, a government commission last week increased the number to around 20.

According to Petroleum Argus, Rostoplivo's earnings have been earmarked to support Russia's cash-strapped defence industries, a lobby group behind the hardline faction which is fighting for influence on Mr Yeltsin.

Moscow in tripartite customs area move

Russia, Kazakhstan and Belarus moved closer towards the creation of a customs union during a weekend meeting of their prime ministers. Chrystia Freeland reports.

Mr Victor Chernomyrdin, Russian prime minister Mr Akezhan Kazhegeldin, Kazakhstan's prime minister, and Prime Minister Mikhail Chigir of Belarus signed a package of documents setting out how the union is to be created. They agreed customs union should be in two stages, the first removing existing trade barriers and establishing a common trade policy towards other states. In the second stage, the three countries will abolish customs controls along their shared borders and create a single customs regime along their external borders.

"We created a strong nucleus for economic union within the CIS (Commonwealth of Independent States)", the Itar-Tass news agency quoted Mr Chernomyrdin as saying after the meeting.

Under the deal, all members of the planned system would have to unify their economic, monetary, foreign trade policies along the lines of market reform. The premiers said the customs union is open to other former Soviet republics.

Poland may face early elections over budget veto

By Christopher Bobinski in Warsaw

Poland could face the prospect of early elections following a dissolution of parliament by President Lech Walesa, Mr Lech Falandysz, a top legal aide to the president said at the weekend.

Mr Falandysz was speaking before talks this week between the government and the president on filling the vacant posts of defence and foreign minister. The two sides have been deadlocked and the threat of dissolution of parliament from the president's camp could be designed to put pressure on the government.

The president might use a legal quibble to veto this year's budget at the end of this week, Mr Falandysz suggested. This would delay its passage past the deadline marking the end of the three-month period in which the budget has to be passed by parliament.

Failure to meet the three-month deadline would give the president grounds, his lawyers are arguing, to dissolve parliament and call new elections. The term of the present parliament, in which around two-thirds of the deputies are opposed to the president, ends in the autumn of 1997.

Mr Grzegorz Kolodko, Polish finance minister, yesterday accused President Walesa of jeopardising Poland's economy and its international image by questioning the state budget.

"By not signing the budget the president will make yet another mistake," Mr Kolodko said. "This would harm the interests of the Poland's economy and society as well as its international image." The finance minister indicated that Mr Walesa was not really concerned about taxes or the budget but was using them as a weapon in his war against the ruling leftist government and parliament.

Mr Walesa has accused the cabinet of Prime Minister Waldemar Pawlak of stalling economic reforms launched after the collapse of communism in 1989. Mr Pawlak and Mr Walesa are also at loggerheads over appointments to the vacant posts of foreign and defence ministers.

Mr Walesa has conducted a campaign against this year's budget which has been passed by parliament but which he has yet formally to approve. The president has managed simultaneously to support wage demands put forward by Solidarity-led public employees while opting for lower taxes.

Santer calls for security co-operation

By Guy de Jonquières in Davos

Mr Jacques Santer, European Commission president, called at the weekend for stronger co-operation in security and defence policy to be made a top priority at next year's inter-governmental conference on the EU's future development.

He told the World Economic Forum in Davos, Switzerland, that the EU was still unable to act decisively to prevent or help resolve crises in places such as the former Yugoslavia, Rwanda and Algeria, and that there were "serious deficiencies" in the functioning and structure of the inter-governmental "pillar" of its common foreign and security policy.

"We are not co-ordinating our policies adequately, nor our strategic planning. We are simply not defining our common interests sufficiently, hoodwinking ourselves with old formulas that hide the core of the problem; a lack of political will to work together as a Union, to share responsibility and the costs of joint action."

He recalled that the Maastricht treaty committed the EU to a common security policy and eventually to common defence. "This too will be a key issue at the 1996 intergovernmental conference. I am determined that significant progress should be made," he said.

He said the EU must not depart from the path to economic and monetary union laid down in the Maastricht treaty, and that the achievement of a strong single currency would be one of the main priorities of his five-year commission presidency.

However, he said the EU might have to consider a multi-speed approach to European integration, though its purpose should be to allow some countries time to align themselves with the process, not to exclude them from it permanently.

The strongly federalist tone of Mr Santer's remarks clearly upset Mr Michael Portillo, the UK employment secretary and a leading Euro-sceptic, who is also attending the conference. He said there were "no circumstances" in which his government could recommend to parliament in 1996 or 1997 that Britain subscribe to a single European currency.

Mr Santer said the forthcoming inter-governmental conference must also find ways to streamline the EU's institutional framework and decision making procedures. That was a prerequisite to successful enlargement to include new central European members.

The most important objective of his presidency was to strengthen Europe's economy, to reduce unemployment and to improve economic competitiveness without jeopardising social cohesion and stability. The single market must be completed, regulations simplified, internal trade flows expanded and technological performance improved.

He pledged that the EU would keep its market open, play a constructive role in the World Trade Organisation and accept no unilateral interpretation of world trade laws.

See Observer

Value of world institutions in the balance

Peter Norman on issues of 'global governance' in the run-up to the G7 summit

If this year's World Economic Forum is any guide, international policy makers already have their buzzword for 1995. Issues of "global governance", meaning the review and updating of the institutions and processes of international co-operation, will absorb an increasing amount of governments' time up to and beyond this year's Group of Seven summit in Halifax, Nova Scotia.

The Forum, which this year brought together leading figures from business and government for the 25th time, last week saw the launch of a 350 page report on global governance from a commission headed by Mr Ingvar Carlsson, the Swedish prime minister, and Mr Shidrath Ramphal, a former secretary general of the Commonwealth.

In a satellite address to the meeting, US President Bill Clinton pointed ahead to Halifax by stressing the need to build a new "economic architecture" for an increasingly interdependent world that would be as important as the Marshall Plan in the years following the second world war.

The Halifax G7 meeting will cover more than economic architecture. Leaders of the US, Japan, Germany, France, Britain, Italy, Canada and the European Commission will probably focus on the institutional framework for:

- Promoting growth and economic prosperity.
- Reducing poverty.
- Protecting the environment.
- Managing conflict.
- Preventing the proliferation of weapons of mass destruction.
- Combating terrorism, organised crime and drug trafficking.

It is already clear that some thorny institutional issues lie behind these headings. The report of the commission of global governance has queried the value of various United Nations institutions such as its Economic and Social Council (Ecosoc) and the UN Conference on Trade and Development (Unctad).

Establishment of the World Trade Organisation raises questions about the future role of the International Monetary Fund, the World Bank and the 25-nation Organisation for Economic Co-operation and Development on trade issues.

Several UN agencies such as the UN Development Programme, the World Food Programme and the Food and Agriculture organisation are involved in tackling poverty. It will be the job of policy makers to ask why.

But leading industrial powers will be conscious that they cannot impose a blueprint for global governance on the rest of the world. Last autumn's annual meeting of the International Monetary Fund, when the G7 failed to win the support of other IMF members for a strictly limited increase in global liquidity, indicated the limits of the group's powers.

Meanwhile Messrs Carlsson and Ramphal are hoping their report will feed into the discussions ahead of Halifax. Some aspects such as the suggested dismantling of Unctad and Ecosoc would probably find strong support among the industrialised countries.

Others such as the creation of a UN Economic Security Council to provide world leadership in the economic, social and environmental fields are likely to given a more cautious reception. Some of the global governance commission's ideas are almost certain to be rejected, including proposals for global taxes to finance specific UN operations.

Among proposals advanced in the report are an international tax on foreign currency transactions. The commission also suggested charges on global resources such as flight lanes and sea lanes for shipping, user fees for ocean fishing areas and activities in Antarctica and parking fees for satellites in stationary orbit.

WTO director-general warns of 'a returning tide of protectionism'

Sutherland urges policy framework

By Guy de Jonquières

Mr Peter Sutherland, the director-general of the World Trade Organisation, warned that the world risked being engulfed by "a returning tide of protectionism and nationalism of the worst kind" unless a stronger framework was developed for global economic policy co-ordination.

The most urgent priority, he said, was to create a high-level forum for decision-making which represented a wider range of economies and was capable of more effective leadership and policy implementation than the G7 or G15 groupings.

"We have a structural deficit in the world economy, in terms both of the making of policies and of their execution," he said. "If the world's present economic leadership does not broaden its membership and its outlook... it will find itself marginalised, reduced to talking to itself about a set of concerns which have less and less to do with the realities of the world."

The failure of international policy-making machinery to keep pace with accelerating economic change was already reflected in many industrialised countries in "a volatile and sometimes angry electorate and a penchant to entertain simplistic solutions," Mr Sutherland said.

Delaying effective institutional reform would put at risk the gains promised by the Uruguay Round world trade agreement, threaten unilateral economic liberalisation in many parts of the world and bring about a widespread return to protectionism.

Mr Sutherland renewed earlier calls for governments to use the opportunity offered by the establishment of the WTO to improve policy co-ordination. By working together closely, the WTO, the World Bank and the International Monetary Fund could provide analytical support for and ensure the execution of policies agreed at the global level.

Co-operation between the three bodies could take the form of Bank and Fund support for food-importing countries which undertook to liberalise their agricultural trade and assistance for transition economies which committed themselves in the WTO to irreversible economic and trade reforms.

Mr Sutherland did not propose any specific new structures for global policy making, but said they must be representative enough to command a broad consensus and be backed by firm political commitment. He called on G7 leaders to consider his proposals at their summit in Halifax, Nove Scotia, in June.

He said that those who feared that involving a wider range of governments in decision-making would produce deadlock need only ask how well the existing system was performing. "How can we expect the worldwide movement towards the principles of the open market to be completely credible as long as economic policy at the highest level excludes significant players?" he said.

Sutherland: 'a structural deficit in the world economy'

Mideast computer fund sought

By Guy de Jonquières

The foreign ministers of Israel and Egypt and senior executives of four European computer companies yesterday agreed in principle to ask the EU to fund a $500m (£314m) five-year project to provide computer systems to students throughout the Middle East and the Arab world.

Mr Shimon Peres, the Israeli foreign minister, who initiated the project, said that using information technology to improve the education of the younger generation offered one of the best hopes of building a durable peace in the region.

Mr Peres said Mr Jacques Santer, president of the European Commission, was ready to chair an EU-sponsored conference on education this year, at which the project would be discussed. The conference, to be held in Europe, would be open to delegates from the Middle East and North Africa.

Mr Peres said he would like the project to be funded out of a proposed EU aid package for the region. Mr Amr Moussa, Egypt's foreign minister, supports the project, which would involve Bull of France, ICL of Britain, Olivetti of Italy and Siemens of Germany.

However, though Mr Santer is said to favour the project, it must still overcome disagreements within the European Commission which threaten to block funding.

The differences are due mainly to insistence by Mr Manuel Marin, Spanish commissioner responsible for relations with the Mediterranean and Latin America, that the initiative be credited not to Mr Peres, but to Spain's EU presidency in the second half of 1995.

The project would involve the establishment of information networks and technical research centres and the manufacture of standard low-cost producers.

Iran to welcome foreign investors

By Peter Norman in Davos

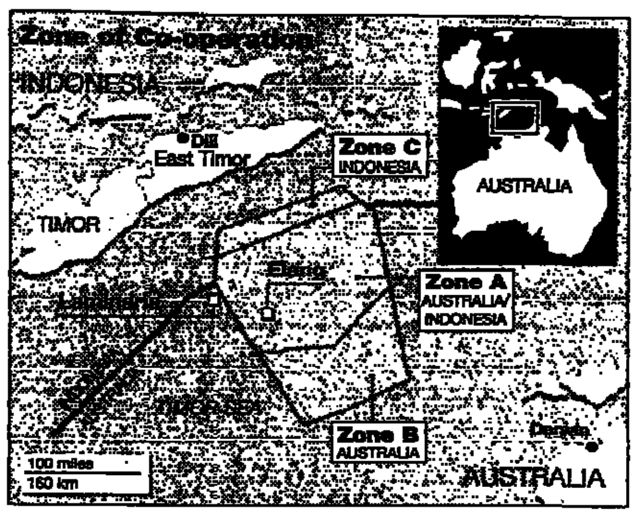
Iran is putting out the welcome mat for foreign investors during its new five-year plan, starting in March. Mr Mohammed Hossein Adeli, senior adviser to the Iranian president, said a law on foreign direct investment opened the way for non-Iranian companies to obtain more than 50 per cent of joint venture companies if the Foreign Investment Board agreed. Non-Iranian companies could also benefit from many tax incentives and operating rights enjoyed by domestic businesses, he said.

Mr Adeli said at the World Economic Forum in Davos that Iran planned to deregulate foreign trade. It would spend $72bn (£45bn) of hard currency on imports in the period of the new plan, based on a conservative assumption that oil prices would rise from $14 a barrel to $16.5 in the period.

Iran had completed five years in which real growth had averaged 7.1 per cent a year, he said. It had also diversified its exports, lifting non-oil exports to $5bn from $1bn a year over the period.

Mr Adeli disclosed that Iran plans to lower domestic oil consumption by doubling the price of oil products to consumers. With a litre of petrol costing about 2.5 US cents, the country currently has the second cheapest oil product prices after Russia.

At a meeting with bankers and investors, Mr Adeli played down concern over the recent decline in the value of the Iranian currency, the rial, rising inflation and Iran's record on servicing its debts.



Oil muddies claims to Timor Sea

Nikki Tait on implications of a case starting at the Hague

Lawyers and academics representing the Portuguese and Australian governments are gathering at the International Court of Justice in the Hague for what has been described as one of the most important international law cases for years. At stake are potential oil riches.

The case, which opens today, centres on the Timor Gap treaty, agreed by Australia and Indonesia in December 1989 to reconcile their rival claims to a resource-rich area of the Timor Sea after Indonesia's invasion, and subsequent annexation, of East Timor in 1975.

While they had reached an earlier, interim agreement on seabed boundaries, they had excluded the area to the south of East Timor because the region was under Portuguese sovereignty. Australia and Portugal had never done a deal.

The Indonesians wanted a seabed boundary that was based on nautical mile jurisdiction, in effect ensuring that the offshore area of maximum resource interest was in their hands. Australia, which acknowledged Indonesia's sovereignty over East Timor in 1979, objected. After much disagreement, the two nations shelved their differences and formed an innovative "zone of co-operation" (ZOC).

This comprised a 61,000sq km area, divided into three parts. The bit nearest to Timor would be exploited by the Indonesians; the reverse held true for the area closest to Australia. The central "A" zone, thought to be the most prospective and possibly containing a large oil field, was to be developed on a co-operative, revenue-sharing basis.

While Indonesia and Australia emerged satisfied, the deal was not acceptable to Portugal, which had colonised East Timor in the 16th century and was administering it under a UN mandate when Indonesia invaded. The Portuguese claimed that the treaty disregarded the fact that East Timor was not a self-governing territory and had not been given the opportunity to exercise its right to self-determination. Portugal's rights, and those of the East Timorese, had been violated, Lisbon said.

There was little point in the *Portuguese suing Indonesia*, which does not recognise the international court, but they decided that a case could be brought against Australia. The court is being asked to declare that Australia had no right to sign the treaty with Indonesia because the UN still recognises Portugal and not Indonesia as the administrative authority in East Timor. It is also asked to order payment of reparations.

Australia is expected to counter by claiming that the case is artificial because Portugal's real dispute is with Indonesia. It will probably be late 1995 before the court rules.

Portugal insists the matter is one of principle, not a pursuit of oil riches. It would like to see an influential international institution declare that the invasion of East Timor was, in the context of international law, illegal. It says specifically that it is not seeking to have the treaty declared invalid.

But from the Australian oil industry's standpoint – and Indonesia's – the case could have big commercial implications. Since the treaty was signed considerable exploration activity has started in the Timor Gap. According to the Darwin-based authority which adminsters the ZOC, drilling began under the new arrangements in late 1991 and 16 wells have been sunk.

A year ago, the results did not look too promising. But in September Woodside Petroleum, the operator of Australia's North-West Shelf liquefied natural gas project, announced a big oil flow at its Laminaria-1 well, 12 miles outside the zone, and its shares surged. Analysts have suggested that the field could contain 200m barrels of crude – which, if confirmed, would make this the biggest discovery in the region since BHP's oil strike at the Jabiru well in the mid-1980s. Meanwhile, within the ZOC and on a BHP-operated permit area, two wells called Elang-1 and Elang-2 have flowed at 5,800 barrels a day and 6,080 b/d respectively. A third wildcat well, 10 miles away, has flowed at 8,100 b/d. As Mr David Beddall, Australia's federal resources minister, said last month: "There's no indication yet that it's Eldorado, but this year is a much better prospect than last".

In general, companies involved in the permit areas are reluctant to discuss publicly the implications of the court case – referring the matter to Canberra officials, or to the Australian Petroleum Exploration Association (APEA), a trade organisation. The former say blandly that Australia expects to win in the Hague. The latter suggests no one would have expended large exploration sums without being fairly sure that title was safe.

Some legal experts are not so sure. In a paper to an APEA conference last year, two lawyers at Sydney-based Phillips Fox suggested a ruling in Portugal's favour would leave the status of the permits granted by the joint authority "at the very least, questionable".

One possibility would be the freezing of exploration or further development in the area while Indonesia and Portugal tried to resolve differences, and an internationally acceptable self-determination process for the East Timorese was agreed.

Moreover, security of title in the Timor Sea has not always been guaranteed in the past. A handful of permits had been granted by Australia before the Timor Gap treaty was signed, and one bestowed by the Portuguese on Denver-based Oceanic Exploration. The holders of Australian permits saw these cancelled in 1989, and were none too pleased. Already, one big Australian company, Western Mining, has sued Canberra demanding compensation, and won in a federal court. The Australian government is appealing, and the matter could end up in the High Court.

Western Australia approves pipeline

By Nikki Tait in Sydney

The Western Australian government yesterday gave final approval for a A$400m (£193m) gas pipeline project to link the North West Shelf oil and gas production area, off the state's northern shores, with the main gold-producing district around Kalgoorlie.

Construction of the privately owned project will begin in June. The project, a joint venture between Western Mining Corporation, Normandy Poseidon and BHP, should help reduce energy costs and encourage downstream processing of minerals along its route.

One of the first users of the piped gas will be BHP's iron ore operations at Newman, which lie on the 14,000km pipeline route.

INTERNATIONAL PRESS REVIEW

Journalists ponder role in Downer's fall

AUSTRALIA

By Nikki Tait

Losers the world over, from sports stars to politicians, have a knack of blaming the press for their misfortunes. So it was with Mr Alexander Downer, the Australian federal opposition leader, who last week announced he was standing down after just eight months in the job.

More surprising was the extent to which the local media took the criticism to heart. By the end of the week, Australian papers were awash with articles looking at the role which journalists had played in Mr Downer's downfall.

Mr Downer's charges were levied at his outgoing press conference in Adelaide on Thursday. His broad complaint was that some in the media – by no means all – had published inaccurate and unsourced gossip as fact. This had fed the air of destablisation in Canberra, and (by implication) compounded his plunge in the polls.

In future, Mr Downer promised, he would be "kneecapping... the first lunatic journalist who writes fantasy, as has been the tendency of some journalists, not least the *Australian Financial Review*", Australia's leading financial paper.

The press, whose pursuit of Mr Downer began about six months ago, squirmed and bristled. Mike Seecombe, in the *Sydney Morning Herald*, expressed some sympathy. "You can hardly blame a man unable to vent his anger against those who really did him in – his own troops – for casting about for an alternative whipping boy. And there were undoubtably some wild and wrong stories written about him."

But he took vigorous issue with "impartial observers" – such as media analyst Sam Lipski, writing in the *Melbourne Age* – who argued that the media had come to like leadership fights, relished the chance to become players in the political game, and neglected analysis of government policy as a result.

It was true, admitted Mr Seecombe, that unsourced rumour had been reported and sometimes proved inaccurate. "But it is hard to know what to do about it, for it is part of the journalists' code of ethics that sources remain confidential."

Indeed, he continued: "It is not uncommon for sources to leak something, wait for reaction, and then deny it if the reaction is hostile. There are those who think there should be a change to the journalists' code, such that if information has been supplied for such an impure purpose, then all bets should be off and the source revealed. But to do so would be to end the reportage of politics as we know it".

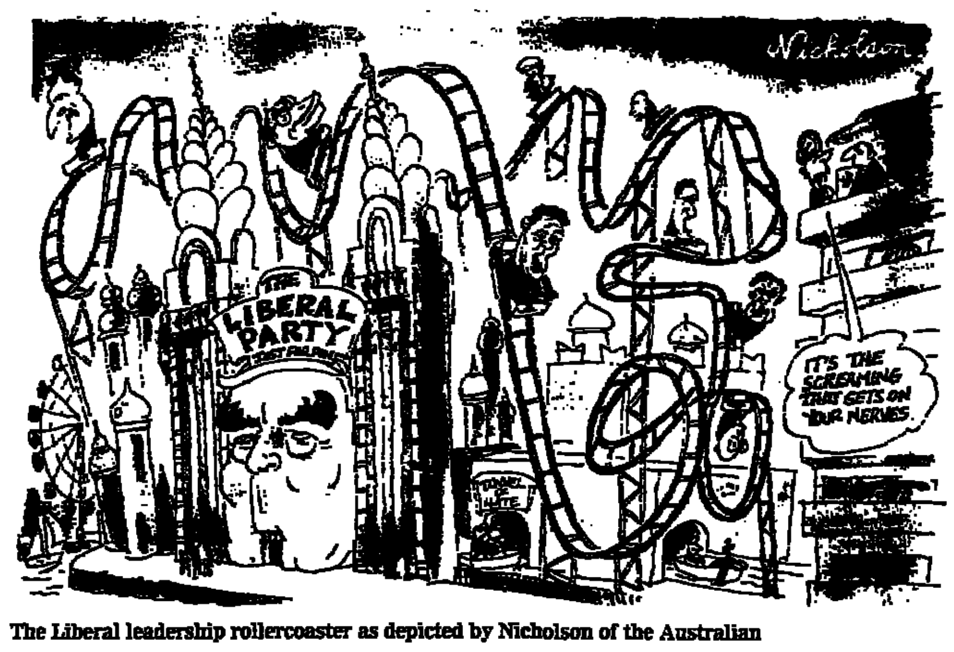
Peter Charlton, in Brisbane's *Courier-Mail*, was also inclined to paint journalists as the hapless messengers. He cited one erroneous front-page story, which had claimed that Mr Downer "cried" after a particularly damaging public gaffe. Mr Downer had complained that the journalist did not check the report with him.

"Downer was being ingenuous," retorted Mr Charlton. "It would have been an odd politician who admitted to a journalist that he had broken down and cried over a political mistake." In any case, the journalist in question had paid through a "humiliating retraction, public apology and... still faces possible defamation action". He added: "The journalist was set up by Liberal politicians anxious to see Downer portrayed in the worst possible light."

A "vox pop" survey conducted by the *Sun-Herald*, the Sunday tabloid, on the streets of Sydney, suggested that few people were on Mr Downer's side. Among questions posed to passers-by was the extent to which the media had given the opposition a "fair go". Almost to a man, respondents had no cause for complaint.

But *The Sunday Age*, in its leader column, had a more telling point to make: "While the media, fed by calculated leaks and malicious gossip, report politics as though it were a blood sport... they have let good governance of the country become of subordinate concern. The Keating government, for all its faults and failures, has been allowed a dream run while the predominant focus has been on the trials and tribulations of the Opposition."

As for the cause of this angst, by the weekend he had swapped attentions of the print media for radio, making a guest appearance in a commentary box at the England-Australia cricket match. Wasn't this a rather premature return to the lion's den, asked one interviewer, warily. A cheery Mr Downer replied that Australian sports reporters tended to be a good bunch. Which is probably true. But, then again, when it comes to cricket, Australia is usually winning.



The Liberal leadership rollercoaster as depicted by Nicholson of the Australian

NEWS: INTERNATIONAL

Peru clashes with Ecuador leave 23 dead

Peruvian troops on their way to the border over the weekend AP

By Sally Bowen in Lima and Raymond Colitt in Quito

Peru and Ecuador yesterday exchanged accusations and apportioned blame for weekend clashes which left 23 dead and aggravated long-standing hostilities over a border dispute.

The joint command of the armed forces in Quito, capital of Ecuador, reported 20 Peruvian and three Ecuadorean deaths as a result of combat over the weekend.

The crisis began early last week with skirmishes between the rivers Santiago and Zamora in the middle of dense jungle. The area has been disputed for decades and the populations of Peru and Ecuador are accustomed to periodic sabre-rattling and minor skirmishes on the stretch of their common border known as the "Condor Cordillera".

The clashes escalated abruptly on Friday, and Ecuadorean President Sixto Duran Ballen proclaimed a state of national emergency and called up the reserves. Peru responded by mobilising thousands of troops and massing them in the border area of Tumbes.

Ecuadorean officials maintain that Peru is now attacking territory that has been under Ecuadorean control for decades and is outside the area in dispute.

The Ecuadorean armed forces also accuse the Peruvians of using CH-47 Chinook and Bell-212 helicopters, which they say were provided by the US to aid in Peruvian drug-fighting efforts. The civilian populations of several Ecuadorean border towns have been evacuated in case fighting spreads.

The two Peruvian international airlines suspended flights to the Ecuadorean capital Quito. The northern Peruvian oil pipeline was under heavy guard and the coastal town of Talara, home to one of Peru's largest oil refineries, was preparing for air raids.

The Ecuadorean authorities, meanwhile, ordered all Peruvian students to leave the country. Peruvian journalists and some Peruvian residents in Ecuador were complaining of harassment.

Each side accuses the other of provoking the conflict. Late on Thursday, Peru's foreign ministry issued a communiqué accusing the Ecuadoreans of a "belligerent and aggressive" air attack on one of its guard posts in the Condor Cordillera. A subsequent Ecuadorean communiqué accused Peru of launching a number of attacks and claimed to have inflicted "serious setbacks on the aggressors".

Officially, each side insists it is a peace-seeking nation which is honour-bound to defend its sovereignty and national territory. The core of the dispute – dating back to the earliest independence period – lies in the exact position of the border.

Land squabbles have punctuated bilateral relations for more than 150 years. The last major conflict was in 1941, when Peru invaded Ecuador. A 10-day war ensued, ending with the signing of the so-called Rio de Janeiro Protocol, which defined the border between the two countries. Congresses of both Peru and Ecuador ratified the treaty and four countries – the US, Brazil, Chile and Argentina – accepted the task of being its "guarantors".

Mapping the Ecuadorean-Peruvian border was completed in early 1947 by the US air force, a long and complex exercise which cost 14 lives. Boundary markers were established along some 1,600km of frontier, but 78km in the Condor Cordillera stretch remained unmarked. This is where the dispute now centres and is an area believed to be rich in gold, uranium and oil deposits.

Ecuador has subsequently argued that it was obliged to sign the protocol under duress. Since 1950 it has dubbed the protocol as "impossible to execute" and lays claim to an area of around 130 square miles in what, according to the Rio Protocol, is Peruvian territory. The most serious armed clash in recent years was in 1981, when Ecuador accused Peru of firing on one of its helicopters. There were an undisclosed number of casualties on both sides.

Diplomatic initiatives were under way at the weekend as the military build-up continued. Mr Cesar Gaviria, secretary general of the Organisation of American States, made flying visits to Quito and Lima to discuss the conflict with the two heads of state.

President Alberto Fujimori of Peru accepted Mr Gaviria's visit as a "gesture of goodwill" but insisted that "the guarantor countries represent the international framework in which the impasse can be resolved."

Argentine President Carlos Menem said his government would request a special United Nations Security Council meeting to discuss the conflict. Representatives of the four countries are expected to meet in Brasilia on Wednesday.

World pharmaceuticals sales resume growth

By Daniel Green

The world's pharmaceuticals markets have consolidated their modest recovery following a poor year in 1993, according to figures published today. Sales in the world's biggest 10 markets rose 5 per cent in the 11 months to November 1994, compared with zero growth in the same period of 1993 when many countries instigated programmes to control spending on medicines.

Total sales in the first 11 months of 1994 amounted to more than $110bn, (£70.5bn), according to monthly figures on drugs sales issued by market researchers IMS. The US accounted for 40 per cent of the total. Growth there was 8 per cent, higher than in any other large market except the UK, also growing at 8 per cent.

Growth in France continued to accelerate after a slow start to the year when the French government indicated its desire to control drug spending. In the 11 months to November 1994, sales in France rose 5 per cent to $11.8bn.

Germany continued to grow quickly from a depressed 1993 when government reforms reduced sales by 9 per cent. However, the 8 per cent growth rate in 1994 to $12.4bn, still left total sales below 1992's levels.

UK drug sales reached $5.1bn for the first 11 months of 1994. The UK remains Europe's fastest growing market, building further on rapid growth in 1993. But total sales remain relatively low, partly because of the conservative prescribing practices of UK doctors. Japan, the world's second biggest market, instituted drug price controls in April 1994. This cut sales growth for the first 11 months from 7 per cent in 1993 to 2 per cent last year.

Digestive tract drugs continued to grow strongly. Sales in the category, which include the world's biggest seller, Zantac, made by UK company Glaxo, grew 7 per cent to $19.2bn (£12bn). With Zantac's sales slowing, much of the growth came from a new drug, Losec, from Astra of Sweden.

This group of drugs was outpaced only by nervous system drugs, which include the increasingly popular anti-depressants such as Prozac, made by Eli Lilly of the US.

World pharmacy drug purchases January-November 1994 in US dollars (m)

	N. America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	7,731	3,136	2,934	2,899	1,545	852	729	293	299
Alimentary/Metabolism	7,784	3,918	2,183	1,913	1,210	1,002	604	354	232
Central Nervous System	8,108	1,020	1,330	1,352	670	580	420	187	235
Anti-Infectives	4,379	2,507	820	1,421	844	366	459	100	174
Respiratory	4,951	1,556	1,271	946	433	777	366	222	141
Musculo-Skeletal	2,052	1,965	668	522	382	333	201	69	82
Blood Agents	2,152	1,682	479	699	399	83	211	69	60
Others	10,357	4,348	2,663	1,994	1,300	1,068	663	283	257
Total	47,514	20,132	12,398	11,746	6,783	5,061	3,653	1,577	1,480
% Change*	8	2	6	5	-6	.8	5	6	3

Source: IMS International *Non-hospital market only *Increase excluding currencies

INTERNATIONAL NEWS DIGEST

HK pensions plan scrapped

The Hong Kong government has scrapped plans to introduce an old age pension scheme after opposition from China and the colony's powerful business community. The decision was condemned at the weekend by a coalition including pro-Beijing unionists and politicians, and the pro-democracy Democratic party.

Governor Chris Patten had said the plan had widespread support within the community, but Beijing's opposition proved decisive. Administration of the scheme would have fallen to Hong Kong's first post-1997 administration, so China's blessing was needed in advance if the scheme were to proceed.

Mr Zhou Nan, Beijing's chief representative in the colony, denounced the plan as an attempt to import "Euro-socialist" ideas into Hong Kong government administration. At the weekend his spokesman welcomed the withdrawal of the plan and accused the government of badly mishandling the issue.

The scheme, mooted last July, envisaged a monthly pension of HK$2,300 (£187) indexed to the rate of inflation. It was opposed by business which advocated instead a Singapore-style central provident fund. *Simon Holberton, Hong Kong*

West Bank closure extended

Israel yesterday extended its closure of the West Bank and Gaza for another week and urged the Palestine Liberation Organisation to use an iron fist against Islamic guerrillas in exchange for a long-delayed Israeli troop withdrawal from occupied land. Mr Yitzhak Rabin, prime minister, was quoted as saying that the peace process with the PLO was at a crossroads and that "terrorism has become a strategic danger".

A cabinet communiqué said he had empowered the treasury and police ministers to set up teams to examine "ways and means to achieve a separation" between Israelis and Palestinians. As the cabinet met, the police announced a first step towards an envisaged separation – the deployment this week of guard dogs along the West Bank frontier. *Reuter, Jerusalem*

S Africa mine clashes kill 10

Ten miners were killed and more than 60 wounded in weekend clashes between rival gangs at one of South Africa's most productive gold mines. Anglo American Corporation of South Africa said six miners died in fighting between hostel residents at Vaal Reefs No 8 shaft yesterday, bringing to 10 the numbers killed since clashes erupted late on Saturday night.

The Orange Free State mine was decribed as "calm" yesterday. About 400 miners were caught up in the battles at the shaft which produces 2.4 tonnes of gold a month. Production had so far not been affected. *Reuter, Johannesburg*

● President Nelson Mandela yesterday appointed white police general, 49-year-old Gen George Fivaz, as South Africa's new police commissioner to "lead the transformation of the police service." *Reuter, Pretoria*

Former Unicef chief dies

Mr James Grant, who retired last Thursday after 15 years as head of Unicef, the United Nations children's fund, died in New York on Saturday aged 72. The agency under his leadership was one of the most effective in the UN. Mr Boutros Boutros Ghali, secretary general, said hundreds of millions of children who might never have known his name owed their survival, health, growth and education to Mr Grant's "extraordinary efforts on their behalf." US President Bill Clinton, who last year awarded Mr Grant the Medal of Freedom, described him as a "visionary leader". Perhaps his greatest legacy was the Convention on the Rights of the Child. *Michael Littlejohns, New York*

■ BICC, the UK cables and construction group, is to supply £38m of extra high voltage cables for power transmission to the Public Utilities Board of Singapore. The contract will help secure more than 500 jobs at BICC factories in Erith, Kent and Wrexham, North Wales. *Ian Hamilton-Fazey, Manchester*

■ Mr Deng Xiaoping, China's supreme leader, asked others in the leadership to convey his greetings to the people for Chinese New Year when they visited him at the weekend. The report was the lead item on the national evening television news. But no pictures were shown of the 90-year-old Mr Deng, leaving questions about his health unanswered. *AP, Beijing*

LEGAL NOTICES

Rule 3.2

Notice of appointment of Administrative Receiver

Goodmark Limited

Registered number: 01908677. Nature of business: Manufacturing. Trade classification: 13. Date of appointment of administrative receivers: 20 January 1995. Name of person appointing the administrative receivers: National Westminster Bank Plc. Christopher John Hughes and Joseph Patrick Considine, Joint Administrative Receivers. Office holder numbers: 2041 and 1768.

Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Rule 3.2

Notice of appointment of Administrative Receiver

Perth Group Plc

Registered number: 02130443. Nature of business: Manufacturing. Trade classification: 13. Date of appointment of administrative receivers: 20 January 1995. Name of person appointing the administrative receivers: National Westminster Bank Plc. Christopher John Hughes and Joseph Patrick Considine, Joint Administrative Receivers. Office holder numbers: 2041 and 1768.

Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Rule 3.2

Notice of appointment of Administrative Receiver

Perth Decorative Products Limited

Registered number: 01751775. Nature of business: Manufacturing. Trade classification: 13. Date of appointment of administrative receivers: 20 January 1995. Name of person appointing the administrative receivers: National Westminster Bank Plc. Christopher John Hughes and Joseph Patrick Considine, Joint Administrative Receivers. Office holder numbers: 2041 and 1768.

Coopers & Lybrand, Hillgate House, 26 Old Bailey, London EC4M 7PL.

Let's talk

vision

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We have set up Concert with our global partner MCI to make fully integrated global communications a reality.

In other words ours is a real network not a patchwork of domestic operations; it means our global customers can benefit from unrivalled flexibility, reliability and quality of service. We are independent and free from vested interest, leaving us free to recommend the best systems for your needs. And we are open for business now.

We've made it our business to provide the best communications solutions to our customers so that we both continue to prosper.

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BT

Global communications

Markets braced for interest rate rise

By Robert Chote, Economics Correspondent

The chancellor of the exchequer and governor of the Bank of England meet this week to discuss a possible rise in interest rates, amid fears among some City analysts that delaying an increase for another month could unsettle financial markets.

Mr Kenneth Clarke, the chancellor, has hinted that he is unlikely to demand an immediate base rate rise at Thursday's meeting, arguing that the economy can grow more quickly than its long-term trend "for quite some time".

But Mr Eddie George, the governor, is expected to argue that it is important to persuade the markets that the government is tightening policy quickly enough to keep inflation low.

The Federal Reserve's open market committee is meanwhile widely expected to agree a half-point rise in US interest rates to 6 per cent during its meeting on Tuesday and Wednesday for similar reasons. As in Britain, the impetus for higher rates is robust economic growth, which ran at a rate equivalent to 4.5 per cent a year in the US in the last three months of 1994.

Speculation about a February UK rate rise has also been fuelled by unexpectedly high December inflation figures and a survey evidence that manufacturers are increasingly confident about their ability to raise prices.

A majority of analysts expects Thursday's meeting to agree an immediate increase, according to a survey by Idea, the financial research consultancy.

David Kern, chief economist at National Westminster Bank, said rates were likely to go up by half a point to 6.75 per cent in the next few weeks, but added that they would peak at 7.25 per cent in the middle of the year.

Mr David Walton, UK economist at Goldman Sachs, the US investment bank, said the rate rise "could come as early as this week, although we would not be surprised if the authorities decided to hold off until March".

He said there was no evidence yet from Goldman's leading indicator of inflation that the two rate rises last year had been sufficient to ensure that any upturn in the underlying rate of price increases would prove shortlived.

Companies spend more on deals in Europe

UK companies doubled the amount they spent on European acquisitions in 1994, slightly outpacing the growth rate of all European cross-border deals last year, according to Translink, the mergers and acquisitions adviser, Steve Thompson writes.

UK companies spent Ecu11.2bn ($13.99bn) in 1994, up from Ecu4.8bn in 1993, the highest since Translink first began collating the figures in 1989, on a total of 245 deals, up 133 per cent on 1993.

The total value of European cross-border deals was a record Ecu58.7bn, up 91 per cent on 1993's Ecu30.7bn. The number of European deals rose 29 per cent to a peak 1,669.

American companies were the most active buyers in Europe, completing 324 deals, up 31 per cent on the year, followed by British, Dutch, (up 150 per cent) and Swedish (up 114 per cent) groups.

The engineering industry was the most acquisitive UK sector, completing 31 European deals worth Ecu817.2m, followed by banking and financial services, which spent Ecu676.9m on 24 deals and media and publishing which paid Ecu425.8m on 21 deals.

The main target of UK takeovers were engineering companies. France was favourite target country, with 64 deals completed worth Ecu4.7bn, followed by Germany, with 32 deals valued at Ecu623m.

Cook stirs up European debate

Kevin Brown on Labour's mission for EU reform

Today, Mr Robin Cook, the opposition Labour party's spokesman on foreign affairs, will signal that Labour must add a hard-edged campaign on reform of the European Union and international organisations such as the International Monetary Fund to party leader Mr Tony Blair's crusade for change within the UK.

The message, in a speech to a Labour conference on the EU's 1996 intergovernmental conference, is that the party needs a higher foreign affairs profile than it had until October under Mr Jack Cunningham, now shadow trade and industry secretary.

Mr Cook has been feeling his way, reviewing the policies he inherited, and trying to develop a coherent framework in weekly meetings with Mr Blair, Mr John Prescott, deputy leader, and Mr Gordon Brown, shadow chancellor. But in a series of speeches between now and the summer, he plans to set out a fresh Labour approach to foreign affairs focusing on five main issues:

- The need for reform of international organisations such as the IMF and the World Bank to prevent a cycle of deprivation leading to violence caused by the imposition of tough economic policies.
- A call for international agreement to resolve environmental problems that are no longer susceptible to action by nation states.
- Reform of the United Nations to make sure that sufficient troops are available to meet peacekeeping commitments – "one of the many lessons of Bosnia".
- A foreign office shake-up to increase the emphasis on supporting British industry.
- Europe. This is the difficult one, partly because policy is still being developed by a committee of party leaders, including Mr Cook, Mr Blair and Mr Wayne David, leader of the 62 Labour MEPs.

A fierce debate is going on, for example, about how strongly Labour should favour monetary union, and whether it should offer a referendum. Nevertheless, Mr Cook will spell out a commitment to reform in controversial areas such as extending EU authority over social affairs, giving more power to the European parliament, and forcing through structural reforms to cope with EU expansion.

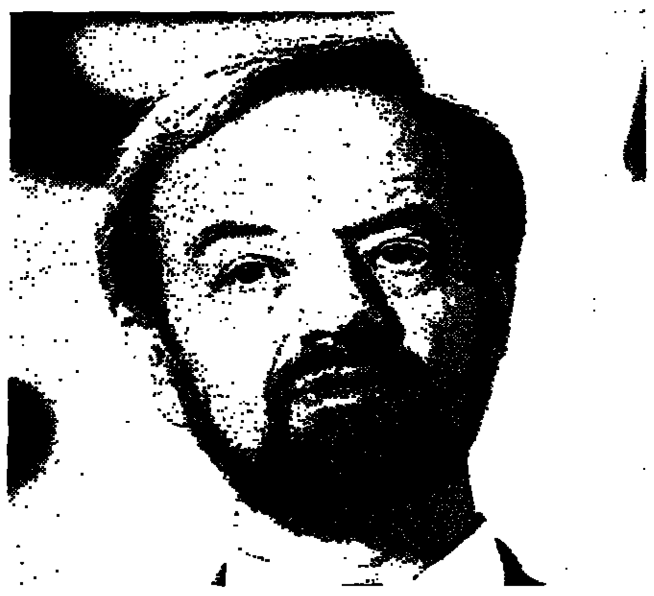
Some policies will have wide support, such as his advocacy of Common Agricultural Policy reform. Few will cavil at his plan to demand greater accountability from the Council of Ministers, starting with publication of its minutes.

But there will be controversy over his view that the Social Chapter of the Maastricht treaty, which the party is committed to sign, is just the first step in a process of using EU powers to improve social conditions across Europe.

Mr Cook will also have to face up to Conservative charges that reform of EU institutions will mean a weakening of the UK veto. He will argue that Labour also favours a veto on vital national issues, and the Tory government's reliance on the maintenance of the veto as the prime test of its success in Europe is marginalising the UK.

That may not wash with the voters, especially in the context of a general election campaign in which Mr John Major will present the Conservatives as the only guarantors of UK independence in Europe.

But it meshes neatly with Mr Blair's theme that the individual and the community are interdependent. "Britain needs to take its place in a world community where it supports those same values that we want to practise in our own society," says Mr Cook.



Robin Cook (left), will be 49 years old next month. He was elected to Westminster for the Edinburgh Central constituency in 1974, and since 1983 has represented Livingston, a former mining town between Edinburgh and Glasgow.

He was appointed to his current shadow cabinet job in October last year, having previously been party spokesman on health and social security, Trade and Industry and European affairs.

One of Labour's most senior leftwingers, he last week gave his full backing to his leader's drive to rewrite Clause 4 of the party constitution which contains a commitment to pubic ownership. In doing so he reversed his earlier opposition to such a change and aligned himself with the party's modernisers.

UK NEWS DIGEST

BR projects facing cost over-runs

The financial projections behind the UK rail privatisation programme have been thrown into doubt after the discovery by Railtrack of large cost over-runs in the £1.4bn ($2.22bn) programme of capital investment it inherited from British Rail.

Of the 500 track, signalling and building projects which Railtrack took over from British Rail nine months ago, 200 have been found to be running at least 25 per cent above the original cost projections, even allowing for inflation.

An internal Railtrack financial review has discovered that all the other 300 projects are also now estimated to cost more in real terms than originally budgeted for when started by British Rail. It appears that the £1.4bn of projects that Railtrack took on from British Rail will cost substantially more by the time most of them are finished later this decade. Final figures are still being worked out, but one estimate puts the likely total bill for these projects at about £2bn.

Specific projects said to have risen substantially in cost include the £300m Heathrow to Paddington rail link, which Railtrack is building in conjunction with the airports authority, BAA; an £80m international station at Ashford, Kent; and improvements to the North London Line.

Peter Marsh and Charles Batchelor

Car dealer groups extend ownership

The UK's 20 largest car dealer groups have bought nearly 150 more franchised dealers during the past year, bringing the total under their control to 1,047 – around one-sixth of all franchised dealers – according to Sewells International, the market monitoring group.

The statistics, published in Sewells' latest survey of the motor trade, indicate an accelerating trend in which individual dealers are selling out because they can no longer afford the high investments in premises and equipment demanded by vehicle makers. The survey, carried out in association with Coopers & Lybrand, the accountants, found that during the past year a total of nearly 500 dealerships had become part of groups. Ford, the UK market leader, has the highest number of dealers under group control – 302, or around a third of its network. *John Griffiths*

EDS ties up cheque deal with Scots bank

Royal Bank of Scotland is to contract out its cheque processing operation in a multi-million pound deal with EDS, the electronic data systems company which is a subsidiary of General Motors of the US. The ten-year contract will involve EDS in investing more than £30m in the setting up of two processing centres – in Milton Keynes and in Livingston – which are likely to become operational early next year. Initially they will handle more than 300m items a year for the bank.

Mr David Rifka, EDS director of payment services, said he believed that there was a big market in third-party cheque processing, and that EDS was currently in discussions with a couple of other financial organisations.

Last autumn, the Co-operative Bank reached an agreement with Unisys, the US computer manufacturer, to split off its payment processing function into a wholly owned Unisys subsidiary. *Alison Smith*

Probe ordered into tunnel train security

The government has ordered an investigation of security measures on Channel tunnel services following claims that procedures were lax. Mr Brian Mawhinney, transport secretary, has told the Eurostar and shuttle operators to report on allegations in The Observer newspaper yesterday.

The newspaper said passengers had been allowed to board the Eurostar without having their luggage checked or X-rayed and that unattended luggage had not been noticed by train staff. Mr Michael Meacher, Labour transport spokesman, said he was "extremely alarmed" at these findings and called for a government statement

Both operators – Eurotunnel, which operates the vehicle shuttles, and European Passenger Services, which runs passenger trains – emphasised their safety precautions. Vehicles boarding shuttles can be tested for explosives while passengers boarding Eurostar trains pass through airport-style scanners and may have their luggage searched.

BA to renew Beirut run

The UK and Lebanese governments have agreed on new arrangements for flights between London and Beirut, allowing British Airways to begin flights at the end of next month.

BA, which has not flown to Beirut for 15 years, said it had been planning to start services to Lebanon from Heathrow at the end of March. The agreement between the two governments would allow it to bring forward the start of the service. BA plans two Boeing-767 flights from Heathrow to Beirut a week.

Michael Skapinker

When the pips go . . .

The first commercial advertising on apples is being pioneered by British Telecommunications this week to promote a 20 per cent price cut in calls to the US and Canada. Stickers on the Cox's apples read: "Core! 40p (63c) a minute to the Big Apple". The apples will be distributed to US passengers at Heathrow Airport this week and delivered to American companies in the UK. Last year BT was among the first companies to stamp advertising slogans on eggs. The "eggverts" promoted the abolition of the peak rate for calls. *Diane Summers*

New age dawns in the boardroom

Personal development philosophies such as meditation are helping executives to motivate themselves, writes Vanessa Houlder

When the president of the United States sought advice from a fire-walking personal growth trainer, the Washington press corps scoffed. Critics saw Bill Clinton's interest in "new age gurus" in terms of a painless cure-all that offered all the intellectual rigour of astrology.

But Bill Clinton is not alone. Many senior businessmen are enthusiastic about techniques which help them understand and motivate themselves. Endorsements of the "success trainers" such as best-selling authors Anthony Robbins and Stephen Covey, both of whom visited Camp David at the end of last year, come from managers of some of the largest companies in the US.

The interest in techniques promoting personal success has crossed the Atlantic to Europe, as demonstrated by the surging popularity of self-help manuals. But for every executive attending seminars and scouring the bookshelves for the secrets of personal effectiveness, there are plenty who see the subject as embarrassing and phoney.

"These ideas are often shunned over here [the UK] because of the belief that touchy-feely stuff has no place in the macho boardroom," says Ian Kennedy, a manager at Motorola who is an enthusiast for the 'thinking skills' courses run by the Seattle-based Pacific Institute. But attitudes are changing, he says.

There is perhaps more interest in "personal development" skills among business people than meets the eye. Senior executives may be prepared to bare their souls in private, but rarely parade the results in public. "At board level, there is more power and more politics. People do not want to share their hopes and fears," says Victor Mareno, a facilitator at the London Personal Development Centre whose clients include Oracle, Zurich Insurance, BT and Rank Xerox.

Nonetheless, many business leaders seek one-to-one coaching and counselling to improve their performance and alleviate the loneliness and pressure of life at the top, according to Alan Heeks, a Harvard MBA and former managing director of Caradon building products group, who now runs a Winchester-based development consultancy.

The themes underpinning many personal development philosophies appear straightforward: most people can achieve far more than they thought possible, if they try to understand themselves, set appropriate goals and overcome their self-limiting beliefs. But the techniques used to deliver these messages vary enormously. At one end of the scale, many "peak performance coaches" preach with evangelical fervour. Ex-janitor Robbins, for example, aims to demonstrate "the unlimited power of the human spirit" with his blend of homespun wisdom, positive thinking techniques and uplifting case studies.

At the other end of the scale is self-discovery. Techniques such as meditation are used to unlock the "right brain" qualities of creativity and intuition.

Many psychologists who work in this field use a combination of techniques to suit the style of their client. "It needs to be in accordance with their own belief systems," says Lynn McGregor, partner of Decision Development, a London-based partnership, with clients including the Bank of England, British Gas, Cadbury-Schweppes and Mars UK.

Some of Decision Development's clients leave few stones unturned in their search for insights. When staff at Trebor, the confectionery company now owned by Cadbury, went on retreat in the Malvern Hills in the early 1980s, activities included meditation, affirmations, visualisation, the American Indian Medicine Wheel and work with crystals. The decision to try such unconventional techniques stemmed from the holistic philosophy of Ian Marks, then chairman. "If you work on all four sides, the physical, emotional, mental and spiritual, the person is a whole person. They understand themselves, they are more effective," he says.

The retreat yielded positive results with even the most hard-bitten managers, according to Jennifer Haigh, a participant who is now executive director of personnel at Lehman Brothers. "Against their expectations it gave them amazing insights into themselves," she says.

Not everyone responds to the more esoteric techniques on offer. David Lyon, chief executive of Bowater, is an enthusiastic user of Decision Development's psychological profiles for recruiting senior personnel, but found himself "getting lost" when he tried experimenting with crystals and probing the 'dark side' of his personality in 1984. "I think it all gets a bit soft," he says.

Personal development work is mostly – but not always – voluntary. Employees may find the prospect of being sent on a programme somewhat intrusive and sinister. When Bob Duncan, chief executive of customer services of IBM, decided to use Decision Development to forge 20 senior managers into a close-knit team with "a single heartbeat", some were apprehensive.

'A lot of people feel that it is fringe stuff and new age stuff – it will pass, just give them the tablets'

"They were frightened," says Duncan. "They saw it as real psychotherapy." However, the enthusiasm of initial participants and the assurance that the exercise would not extend to "the deeply personal side" of the individuals allowed the completion of the programme, which, in the end, was deemed "extremely valuable". Preparing the ground before throwing individuals into the unfamiliar world of self-exploration is important. On one occasion, participants walked out of a team-building workshop organised by the London-based Sporting Bodymind, another partnership of psychologists with a blue-chip client list, because – unusually – they had not been consulted in advance about the contents of the session.

Mostly, however, feedback from Sporting Bodymind's workshops is more enthusiastic. Work with BP's research and development teams has been "exceptional, really interesting", according to Dr Bernard Bulkin, head of manufacturing, supply and distribution at BP Oil International. "We started out with a toe in the water approach but people just keep coming back for more," he says.

Sporting Bodymind uses a range of techniques, largely derived from Gestalt psychology, on problems relating to communication skills, team work and dealing with change. Techniques range from visualisation to assembling montages from pictures cut from magazines.

Weird as these activities sound, people find they yield surprising insights, says Jonathan Males, senior consultant. "They are getting them out of a logical way of thinking and getting them into a deep part of the mind which deals with images."

Many techniques are relevant to both business people and sports people. For example, using visualisation to reassess memories of a past failure can help business people who dread negotiations or sports stars who seize up with nerves before competing.

Some clients, however, prefer to stick with structured learning techniques. "We have done a few meditation exercises but not much," says Bulkin. "I think if we went too far in that direction we would have some resistance from our staff."

He says that part of Sporting Bodymind's appeal is its ability to use anecdotes drawn from its work with sports stars, such as the Tottenham Hotspur football team. The parallels between sport and business are numerous, according to Bulkin. In both fields, there are stars and supporting players and a pressing need to build team unity, despite frequent changes to the composition of the team.

The approach is very powerful, he says. "They have some techniques that teach you how to work more effectively which are easy to remember. After a couple of days we find we are using them in meetings."

The people who usually get most out of it are the people who are interested in themselves, says Males. However, more analytical, number-orientated and task-driven individuals can reap benefits if they open up. "They can be the people to benefit the most because they are rigid. It is amazing the amount of energy they have got locked up in keeping things rigid."

Francis Kinsman, a Bath-based consultant, believes he has cracked the problem of how to make personal development training appealing to those in an analytical strait-jacket. He has devised a "personal audit and forecast" programme, designed to make people look at their "personal and creative lives using the language of an accountant, namely assets and liabilities, debtors and creditors. Because they are used to the language they feel safe."

While using the jargon of the balance sheet may seem excessively sterile, many people would prefer it to the pseudo-scientific jargon that abounds in the field. For example, one increasingly popular technique imported from California is "neuro-linguistic programming", which trains people to unleash their creativity and intuition using the "right" side of their brains.

This sort of training yields positive results, according to Harry Alder Associates, a Northampton-based training consultancy. One client was Kirstin Cranstone, a manager at Reed Travel. She believes that learning NLP techniques, such as visualisation, dream work and relaxation, helped her handle difficult people better and prepared her for a promotion.

Nonetheless, Harry Alder recognises that the technique is not widely accepted. "A lot of people feel it is fringe stuff and new age stuff – it will pass, just give them the tablets," he says.

One such is Professor Peter Herriot of Sundridge Park Management Centre, who distrusts the "pseudo-pyschological jargon" of many personal training techniques. "I am sceptical about many of them. What we really need is clear evidence that they meet the needs of clients."

Some consultants believe they can provide this. For example Sporting Bodymind, which charges directors up to a £1,000 a day, says its work yields measurable increases in creativity, productivity and profitability. Others claim that personal development training is a vital component of modern management thinking in that it encourages a move away from a "command and control" management style towards a philosophy of empowerment, team building and total quality.

But many of the benefits promised by personal development training are too subjective to lend themselves to rigorous appraisal. The credibility of these techniques depends on the endorsements of individuals who have tried them.

Even enthusiasts acknowledge some of the techniques proffered by personal development trainers are worthless and – in the wrong hands – potentially dangerous. Nonetheless, it is hard to ignore the testimony of individuals who believe they have benefited from this sort of training. While few would advise a credulous acceptance of these techniques, a blanket scepticism may be equally inappropriate.

PIONEERS AND PROPHETS

Northcote Parkinson

It befits a prophet to call on heaven. But there can be few appeals to the Almighty which had a sharper sting in the tail than Professor Northcote Parkinson's 40 years ago.

"Heaven forbid that students should cease to read a book on the science of public or business administration . . .", he wrote in apparent support of members of the British establishment then advocating greatly increased provision of management education.* The trouble was his added condition. . ."provided that these works are classified as fiction".

What came next continued the irony by making his name famous in management annals.

Parkinson's Law is known to millions, albeit more for its effects than by its wording: Work expands to fill the time available for its completion.

In consequence, organisations have an inbuilt drive to grow regardless of their productive output. Even if the net result of their efforts is zero, the numbers and levels of staff increase, creating unnecessary tasks for one another, so getting ever busier. That invokes Parkinson's second law: Expenditure rises to overtake income.

While accepting that counter-productive growth is ultimately limited by finance, he argued that for organisations the fear of running out of money is like the fear of death for self-indulgent individuals. Until collapse is felt to be close at hand, the deterrent rarely becomes effective.

The implication is that organisational behaviour is at base inescapably non-rational – which may explain why his laws have been little studied in business schools. Remaining largely committed to the 18th century ideal that all processes can be governed by the rational intellect, the schools tend to ignore evidence to the contrary.

Academic neglect, however, has not prevented his teachings from being taken up in practice. One notable example in his 83-year lifetime – he died in March 1993 – was the assault on governmental bureaucracy by Margaret Thatcher, although he would have groaned to see the upsurge of quangodom which has followed in its train.

A more spectacular reflection of his work is the so-called delayerings which have ripped tiers out of company management structures to the extent of inspiring optimists to suggest that Parkinson's laws have been thrown into reverse. But their originator would surely have doubted it.

The reason is that the empire-building process he defined is in evidence in the earliest written records, and so seems rooted in the very nature of human ambition. The probability must be that such a deep-seated drive, even if suppressed temporarily, will spring up again.

Parkinson had little to propose on how it might finally be overcome, beyond exhorting politicians to shun excessive taxation. Having identified a universal problem, he was content to leave its solution to others. As he said: "It is not the business of the botanist to eradicate the weeds. Enough for him if he can tell us just how fast they grow."

**Parkinson's Law*, John Murray 1958. *The Law and the Profits* 1960.

Michael Dixon

Having some fun at the giant's expense

MICHAEL THOMPSON-NOEL

Over the weekend, PepsiCo launched its latest big-bucks television advertising campaign. It will be seen in 30 countries and renews Pepsi's assault on Coca-Cola. This has prompted Coke to claim, haughtily, that comparative advertising is only for "wanna-be products trying to relate to the market leader".

That is not how Pepsi sees it, although Andrew Hopkinson, the Pepsi account director at London advertising agency Abbott Mead Vickers, concedes that you probably wouldn't choose the comparative route unless there was something in your sights worth knocking. "Pepsi sees itself as a little bit cheekier, livelier and younger than the market leader," he says, "so it is appropriate to have a little fun at the giant's expense."

I wish comparative advertising was used more widely, for I equate cheekiness with self-confidence. Big companies would not twit their competitors if they were not confident that their own products could withstand robust counter-taunting.

I bank at Midland, for example. Not a bad old bank. I spoke crossly to one of its tele-girls the other evening for ringing me at home and trying to sell me some tomfool product when I was in the middle of producing *polenta con funghi di bosco*. Yet I cannot, in 26 years, recall a significant error or piece of rudeness visited by Midland Bank upon any of my accounts or on any part of my person.

I am a satisfied customer, and would enjoy nothing more than to see Midland try to steal some business with a knocking attack on one or more of its rivals. But I don't suppose it will. Is this because bank advertising is usually pompous? Or because satisfied Midland Bank customers are like extra-terrestrials – hard to find when you need one?

What I like about the future is that it should be fairly quiet. We will be at home, safe in our *kraals*, surfing the nets. The only noise will come from the people locked outside – billions of them, probably, milling brutishly about.

Things are already getting quieter. For a start, TV commercials seem to be much less strident. In olden times, many commercials were vulgar and noisy. They were deliberately irritating. This was to make us remember them, though so far as I know no one has discovered if irritating commercials are more effective than non-irritating ones.

David Abbott, chairman of Abbott Mead Vickers, told me why commercials had improved. "The general executional level is now of a very high standard. Technology has helped us do impossible things. I think also there's a recognition that the viewer – the consumer – is of a visually literate generation. There's less pounding on the door, more subtlety."

Because of media proliferation, advertisers will soon be speaking to us almost one to one. And they will have to be polite. Persuasion will still be all-important, but unless they get their tone of voice right, we will give them the boot.

I like chocolate. I used to have a Dalmatian, and *he* liked chocolate. We could scrunch our way through a box of chocolates in 2¼ minutes. I still like chocolate, though my purchases have plummeted since the Dalmatian's demise.

Sometimes I buy KitKat, at other times After Eight. These used to be British brands. Indeed, I was once escorted down the entire length of the KitKat production line at Rowntree's chocolate factory in York by the KitKat brand manager. I was so worn out by this excruciating experience that I had to sit and recover.

They are British brands no longer, Nestlé having purchased Rowntree in 1988. However, until reading an article by David Haigh, managing director of Publicis Dialogue, in a recent issue of Admap, it had not occurred to me to view KitKat or After Eight as tax exiles or "brands of convenience".

That is how Haigh sees them. With such vast intangible asset values as the Rowntree brands, he says, Nestlé has naturally tried to manage its affairs efficiently, its "declared . . . policy [being] to centralise the ownership of all its brands in Switzerland and to license their use to foreign subsidiaries". (Switzerland, of course, is Nestlé's home base.)

Haigh says that so far there has been little talk about the relocation of UK brands offshore, but that the technique is gaining popularity as a tax-planning device. For example, a number of UK food and beer brands are said to have been sent offshore.

Increasingly, says Haigh, international tax and regulatory authorities are scrutinising this flight to the sun. But he reckons that the urge to send brands offshore will become "irresistible".

I expect he is right. Soon, I plan to visit a small island, east of Nuku'alofa and astride the International Date Line, where I hope to establish a luxury offshore resort for brands of all kinds. Room rates will be colossal.

مكتبة الأصل

BUSINESS TRAVEL

European floods

Rising rivers forced hundreds more people from homes in northern France, after heavy rain flooded many European cities at the weekend, reports Reuter.

There were fatalities in France and Belgium, and heavy flooding also hit the Netherlands and Germany, notably Cologne's Old City district. Many rivers were reported to be levelling off, but more rough weather was predicted for Wednesday.

In north-eastern France the Meuse river reached record levels overnight on Saturday, causing the evacuation of 500 people in Charleville-Mézières, near the Belgian border. In Paris, the Seine neared 13ft above normal yesterday, having forced the closure of riverside expressways and caused traffic jams since last week.

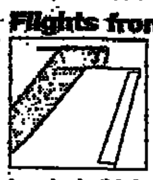
In Brittany, the economic effects of the floods were worsening. High water left more than 10,000 workers idle at a Citroën auto plant, while other factories and businesses were shut by flooding in several northern French towns.

In Germany, the Rhine rose further yesterday. Further upstream at Koblenz, where the Rhine and Mosel converge, water levels were still rising, and electricity supplies were cut in some areas.

Three people died in accidents in southern Belgium. Belgium's national railway company (SNCB) said international trains were running normally again after debris from a landslide on Saturday night was cleared from the Paris-Liège line.

In the Netherlands, thousands of people abandoned their homes. Officials predicted the floods would get worse in the next few days.

Flights from Stansted



Air UK is launching new flights to Zurich (twice daily) and Madrid (daily) from Stansted, London's third airport, starting on March 26.

The services will use Fokker 100 jets and take the number of international destinations served by Air UK from Stansted to 13. It also operates six UK routes from there. Flights to Zurich will depart at 6.40am and 3.35pm. The other way: 10.15am and 7.10pm. Madrid: depart late morning, return early afternoon.

Managing director Andrew Gray says Air UK's Stansted traffic grew by 28 per cent last year, to 1.1m passengers.

Smoking ban discussed

In another step towards smoke-free aircraft, the US Department of Transportation last week granted antitrust immunity to eight US and foreign airlines to discuss a mutual smoking ban on transatlantic flights, *AP reports from Washington.*

The grant of immunity allows the airlines to talk without fear that the justice department will allege that their action violates antitrust laws. The carriers involved are American, Continental, Northwest, Trans World, United, USAir, British Airways and KLM.

The announcement follows last November's agreement between the US, Canada and Australia on banning smoking on flights by their carriers between the three countries.

Transportation secretary Federico Peña noted that the International Civil Aviation Organisation has set a July 1 1996 deadline for banning smoking on all international flights.

A number of international airlines recently outlawed smoking on some or all flights. Non-US carriers that have reduced the number of smoking flights include Lufthansa and Singapore Airlines.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	7	9	9	8	9
Hong Kong	14	12	12	13	15
London	6	13	11	10	6
Frankfurt	7	3	10	9	9
New York	4	5	4	-1	-1
L. Angeles	23	23	25	26	24
Milan	7	9	8	6	9
Paris	9	10	12	11	9
Zurich	7	4	10	9	11

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Michael Holman offers smart advice on the Air Miles scheme to hapless fellow passenger Tubby Fanshawe

Burden of flying free

I should have realised that Tubby Fanshawe needed my help when I got a bunch of carnations for Christmas, instead of the traditional bottle of Scotch. But it was not until we met at Nairobi airport for the flight to London that the gravity of his situation came home to me.

I was standing in the check-in queue, browsing through my copy of the *Official Airline Guide*, when a familiar voice broke my concentration.

"Take a dekko at this, old chap! Two more club class flights to Africa, a decent BT phone bill, throw in the Christmas spending on my NatWest card and the odd bunch of flowers, and I reckon I'm there."

"Where?" I asked, somewhat irritably, for I was on the verge of working out an alternative route from Nairobi to London via Dubai.

Tubby thrust what appeared to be a bank statement in front of me, and prodded the last entry with his forefinger. I took a second look, and realised that it was Tubby's British Airways Air Miles record.

"Just over eight thou'," he beamed. "Another 400 and bingo! Free return ticket London-Nairobi. I'll take the family to Mombasa."

After we had checked in, I took a closer look. Tubby had a problem. All the signs were there – irrational brand loyalty, the special offer fixation, the something-for-nothing delusion. The poor chap was afflicted by a condition that affects an increasing number of travellers: Systematic and Compulsive Collection of Air Miles Syndrome (Sccams).

Tubby seemed to have signed up for everything, from a NatWest Access card (100 Air Miles) to the BT premium line (50 miles for enrolling, one mile for every £10 spent). There was also an entry that explained something that had been puzzling me.

"I wondered what had happened to my Christmas bottle of Scotch," I told him. "What did I get this time? Bloody carnations! Thought you had gone on the wagon!"

Tubby was unrepentant: "Flying Flowers, bunch of 12 carnations, quote your executive club number, and another 20 Air Miles in the bag."

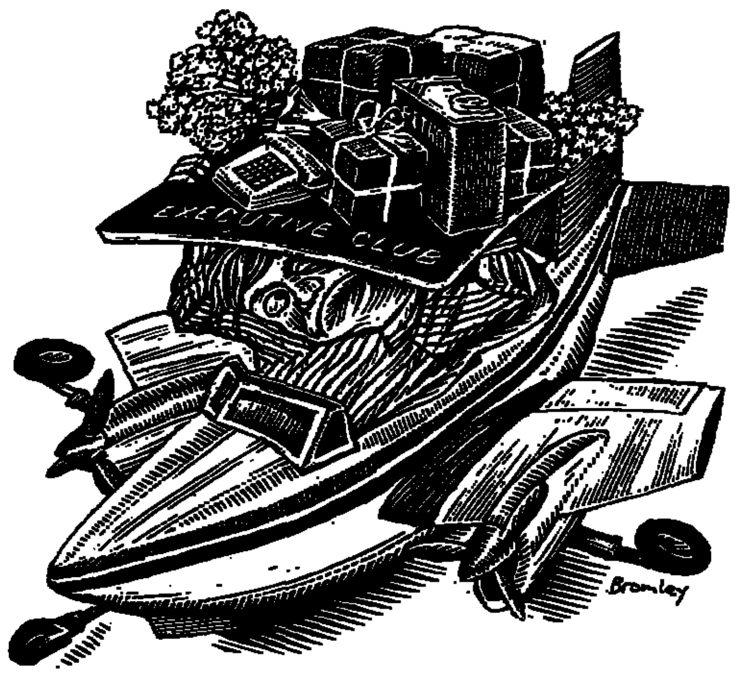
That clinched it. A severe case of Sccams. As we made our way past the immigration check, I tried to reason with him. "What it amounts to, Tubby, is that you are spending more money than you need, often on goods you don't really want, in order to be given things you neither need nor want. But because they seem to be free, you lose all discrimination."

Tubby defended himself vigorously. "Fact is," he said piously, "I am not actually spending more money. I have got to buy 'plane tickets, fill my car with petrol, hire cars, stay in hotels, send presents . . ."

I snorted, patience exhausted. "You miss the point, Tubby. You are no longer a discriminating shopper. You have deprived yourself of choice. You have been lured into brand loyalty not necessarily because the particular product is better, but because of the ultimate inducement – what the chaps behind this scheme call 'the allure of travel'."

Tubby was still not convinced. "Air Miles tickets are BA's way of saying thank you to their regular travellers." For an accountant who does much of his business in Nigeria, Tubby retains an endearing trust in human nature.

I read from an Air Miles management fact-sheet I just happened to have with me: "*Air Miles operates to a win, win, win formula*," I quoted. "*Clients* – that's the companies you've signed up with, Tubby – *have the opportunity to produce sustained, long term changes in behaviour . . . and generate incremental business.*"



Tubby shrugged. I still wasn't getting through. "What's the bet that when you need petrol, you'll buy from Shell, even if Texaco is cheaper?" I asked him. "You hire your cars from Hertz in Zimbabwe, but Europcar is cheaper. You stay at the Hilton in Nairobi when you could get a better deal from the Inter-Continental. Take the wretched carnations. Twelve carnations cost you £10. You can order them from Guernsey for £8.50."

Tubby wouldn't give in. "Over 1m people have travelled free with Air Miles," he said.

"No doubt," I replied. "And I expect there have been nearly 1m fare paying companions. After all, you may travel free on your family holiday, but you'll be paying for your wife. And your seat would probably have otherwise been empty. And if your ticket wasn't 'free', I doubt that you would have considered that holiday in the first place. It's what the clever chaps at Air Miles call *selling additional seats without dilution*."

Tubby made one last effort. "Why do you imply that the Air Miles tickets are not free?"

"Because our companies indirectly paid through the nose for them, by buying full fare tickets, the only kind that qualify for Air Miles. As often as not, cheaper tickets would have served the same purpose."

I did a few calculations. "It will take 17 return club class tickets, costing £2,000, earning 250 Air Miles for each leg, to qualify for an economy class return ticket. You have to book at least two weeks in advance, and there is limited availability. Some reward. You can fly London-Mombasa return on a bucket shop ticket for £350."

Alas, Sccams still held Tubby in its dreadful grip. "Some routes are better rewarded," he said. "London to New York club class tickets at £2,200 a throw would bring me 750 Air Miles. Six return journeys, and Nairobi's in the bag!"

"True," I acknowledged, "but you are still paying a high price. I reckon you could save the cost of the Nairobi ticket in a single purchase if you shopped around for an airline that offered cheaper business class fares to New York."

By this stage we had reached the departure hall. To Tubby's consternation, I abandoned him at the entrance to the first class lounge.

"But you're on an economy ticket, just like me," he protested, as he was barred from entering.

I waved my BA executive club gold card. "Membership has its privileges, old boy. But you have to rack up 1,000 points to qualify, not to be confused with Air Miles." I could not resist a parting shot: "What's more, carnations don't qualify."

In a room of her own

Angela Wigglesworth *on what* female executives want in a hotel

A survey of 400 top British women executives shows many are critical of the hotel service they receive when travelling alone.

The questionnaire was organised by London's Athenaeum Hotel and sent to women MPs, managing directors, top PAs and self-employed consultants. "Other hotels have done surveys with their own guests," says Sally Bulloch, the Athenaeum's executive manager. "But I think this is the first nationwide survey of women executives."

Department of Employment data show that 10 years ago, 2.4m women held managerial and professional positions in the UK. Today it is 3.5m. This growth is reflected in hotel bookings. If hotels get things right, they will attract plenty of female executives.

The two main issues to emerge from the survey were service and security. Over 80 per cent of replies criticised standards of service, notably staff attitude. There were complaints of being kept waiting while a second-in-line male guest was attended to first.

Many said that, when they returned late at night or sat alone in the hotel bar, staff imagined they were soliciting. A woman travelling with a male colleague was assumed to be his secretary or wife, rather than business equal or boss.

Staff language was often an irritant, with male guests referred to as "sir", but "madam" discarded for "my dear" or "love". And there was criticism of badly lit car parks, room keys with clearly visible numbers, lack of ironing boards, hairdryers and well-lit mirrors in bedrooms. Above all, there was criticism of the lack of bedroom safes for jewellery and documents.

"A lot of people here thought women would want a separate wing, but replies show they don't," says Bulloch. "This seems to be a male idea."

Ann Widdecombe, one of five women MPs completing the questionnaire, agrees. "We are not in purdah," she says. Nor would she like to be accompanied to her room by a member of staff – "except perhaps in a safari camp in Africa where there might be the odd lion".

Not surprisingly, 90 per cent of respondents thought there should be more women in top managerial positions in hotels. "It's taken a long time to crack through the old boy network," says Bulloch. "We've always been able to be housekeepers or receptionists, but hotel management was a man's job. It's only now people are realising women can do this, too."

PEOPLE

The man who welcomed Glaxo

Sir Roger Gibbs has tried to follow the wishes of the Trust's founder. **Katharine Campbell** reports

In the summer of 1992, after Wellcome Trust had boldly ceded control of the drugs manufacturer to which it had so long been tied, its chairman, Sir Roger Gibbs, received a letter. Jean Wellcome, daughter-in-law of Sir Henry Wellcome, wrote to say how much the founder would have enjoyed the run-up to the share sale. Gibbs was chuffed that his care in "working out what Sir Henry would have wanted to do" had been so gracefully acknowledged.

Sir Roger's mission to drive forward the world's largest grant-giving charity has a history. His banker father, Sir Geoffrey, chairman of the Nuffield Foundation between 1951 and 1973, had battled for years to persuade Lord Nuffield to diversify out of shares in the ailing British Motor Corporation. Sir Roger did not just want to sit back and collect Wellcome dividends.

So when Glaxo recently approached the trust's governors with an offer valuing Wellcome at £9bn, Gibbs would again have had Sir Henry in mind. In giving the bid the green light a week ago, he demonstrated that he is a dangerous man to underestimate. A stunned John Robb, Wellcome's chairman and chief executive, was left trying to make out that the bid was too low and attempting to seek an alternative deal.

The trust, whose almost exclusive purpose is to fund medical research in Britain, is staying silent in advance of its application to the High Court for permission to sell its remaining 39.5 per cent holding. Nevertheless, towards the end of last year Gibbs, 60, reflected on the career of what he modestly calls a late developer and on what even he would have to admit is the transformation of the financial resources of the charity.

Drafted in during 1983 as one of the trustees (now called governors) by Sir David Steel, the former BP chairman then chairing the charity (income then: £16.4m), Gibbs was involved in the initial Wellcome flotation, at £1.20 a share, three years later. He replaced Steel in 1989 (income: £49m), selling the next tranche of shares in 1992 at £8 a share. The move earned him his detractors. The sale had been announced when the shares were at over £11, and Gibbs was further criticised by those same subscribers when the price slumped under £5 a year and a half later. That criticism, combined with the shares' volatility, presumably contributed to the governors' receptiveness towards Glaxo's offer of £10.25.

Already credited with fostering Britain's "brain gain" of biomedical scientists, the trust, with income around £250m last year, would see assets climb from £5.5bn to £6.7bn if Glaxo's offer went through on the terms indicated. It would retain 4.7 per cent in what would become the world's largest drugs company, and income would rise towards £300m – possibly even more than that of the government-funded Medical Research Council.

With his patrician elegance and establishment background, Gibbs, at first sight, might easily be dismissed as a lightweight. His is a well-connected family – uncle Sir Humphrey Gibbs, governor of Southern Rhodesia in the 1960s; uncle Lord Aldenham, a prominent City banker; brother Christopher a fashionable antiques dealer; sister Elizabeth married to Val Fleming of the merchant banking family. It goes on.

But this City of London grandee turns out to have an extraordinary range of enthusiasms – from the Cresta Run, where in his day he was among the top 10, to Arsenal football club, of which he has been a director since 1980.

Nor has life progressed as smoothly as the privileged start might have suggested. Hence, perhaps, the streak of ruthlessness that still catches people out – not least Robb, who should, perhaps, have taken more seriously Gibbs' objections to Robb's combining the two top positions at Wellcome on the death of the previous chairman Sir Alistair Frame.

Sir Roger, who is 6ft 3in, explains that he was actually a "rather small schoolboy – and an almost spectacularly unsuccessful one". Kicked out of Eton, he went on to Millfield, after which he was told not to apply for the family bank, Antony Gibbs. Things did not go much better at discount house Jessyl Toynbee, where, after two years, he was still assistant cashier. Luckily, the boss, Sir Richard Jessyl, sprang to his aid. "Of course he should stay," he told a sceptical board. "He knows that odds of 15:8 are better than 7:4 and the rest of you don't even know what I'm talking about."

A facility for mental arithmetic and a gregarious nature saw him through. By 1975, he was chairman of discount house Gerrard & National, where he stayed for the next 14 years. "It was terrific fun building it up in the rather hair-raising conditions of the 1970s." He recalls the challenge of double digit interest rates. "The day after Princess Anne's wedding in 1973, rates went to 13 per cent."

What he neglects to mention is that he battled with cancer when first promoted to chairman – a struggle possibly made yet more lonely by the fact that he has never married. As if to mark his victory against cancer, he ran the London marathon in 1982, raising a record £440,000 for a scanner for Guy's Hospital.

But it was Bernard Miles's Mermaid Theatre – not his own illness – that led him to Wellcome. The Mermaid was going through one of its many crises, and Gibbs was drafted in as a governor in 1980. After three years, its chairman, Sir David Steel, asked him what he thought his "next job" would be. In answer, he agreed to become a trustee of Wellcome, and left Gerrard & National to take up the trust's chairmanship six years later.

Last year Gibbs was mooted for chairmanship of the Savoy Hotel group, but fell foul of the warring factions. For the moment, however, the fewer distractions the better. While the company seeks an alternative bid, Gibbs has the High Court to deal with. If all goes his way, he will no doubt be hoping for another approving missive from Jean Wellcome.

Hartmann gets plugged into Germany's power base

The boss of Veba is poised to take part in the country's economic future. **Michael Lindemann** reports

When Ulrich Hartmann talks about the German telecommunications industry, he likes to use a bit of fairy tale imagery. The industry, he says, has been deep in a beauty sleep for years and only now – after a date has been fixed for the end of telephone monopolies across most of Europe – are the princes looking for their brides.

That the German telecommunications industry has been asleep for many years is something few would dispute. It is also obvious that Hartmann's own company, Veba, is the sleeping beauty and that Cable & Wireless, the worldwide telecommunications operator in which Veba last week said it was buying a 10.5 per cent stake, is the prince.

But the image of waking from sleep is equally useful in describing Veba and indeed Hartmann himself.

Venturing into telecommunications marks a landmark change for a company which until now managed everything from nuclear power stations to DIY stores. Huge profits are expected by the turn of the century, and Veba's hope is that the investments will move it out of slow-moving cyclical businesses like chemicals into more dynamic areas.

As for Hartmann, the move into telecoms marks a change he could barely have imagined just two years ago when he was asked, suddenly, to take over as chief executive of Veba.

He had been finance director – no mean achievement given that Veba is Germany's fourth biggest listed company – since the beginning of 1990, but had no great expectations of making it beyond that.

Klaus Piltz, his predecessor, was 54 when he took over the top job in 1989. Piltz was relatively young and enjoyed the work, two good reasons why Hartmann, himself the son of a former Veba board member, might not have expected a look in.

All that changed rather suddenly when Piltz was killed in a skiing accident in April 1993. From his office, looking out over the Rhine as it winds its way past Düsseldorf, Hartmann controls a conglomerate which owns Germany's second biggest utility and has seemingly gone from strength to strength since it managed to escape the shackles of state ownership in 1978.

And yet Hartmann, who has spent the past 22 years working at several Veba subsidiaries, is a good deal more tentative on the public stage than are his counterparts at the top of German industry. It appears that he is still feeling his way as one of those who help shape the debate about Germany's economic future.

There may be good reason for that. As one observer puts it: "If you start talking too much and reaching too high in Germany you very quickly find yourself landing on the ground with a thud."

None the less, Hartmann, 56, will have to play his part, sooner or later.

Already, because Veba owns Preussen Elektra, the country's second largest utility, he is likely to have a front row seat at the forthcoming *Konsensgespräche*, the tortuous talks where politics and industry decide on Germany's energy mix.

And the new venture into telecommunications means he is likely to be sounding off more frequently about the shortcomings of politicians who are viewed as slowing down the pace of liberalisation in Germany.

If Hartmann seems reluctant to assume the public trappings of one of Germany's most powerful chief executives, he has some precise ideas about what he wants to do with Veba.

For several years the group comprised four divisions: electricity, oil, chemicals and trading. Preussen Elektra, though, is so cash rich that Hartmann found himself confronted with an unexpected challenge. As one observer puts it: "Hartmann had a problem about what to do with all that money."

To solve that problem Veba will invest DM6bn over the next decade in the hope of cornering 10 per cent of the German telecoms market.

The group has just won the right to lay a network alongside the railway tracks belonging to Deutsche Bahn, the state-owned railways operator. That will enable Veba to create a net comprehensive enough to compete with Deutsche Telekom, the privatised monopoly.

To complement his efforts in telecommunications, Hartmann will also push ahead with efforts to list on the New York stock exchange. So far Daimler-Benz is the only German company to have reached across the Atlantic in this manner; but Veba is trying to persuade the Securities and Exchange Commission, the US stock exchange authority, to agree that one set of accounts, acceptable in Germany and the US, be presented before the listing.

One set of figures would clearly involve less work and, some analysts say, make life easier for a German electricity generator who cannot be seen to be making too much money in a country where prices are still regulated.

The US listing is something Hartmann is continually questioned about – he almost winces as he hears it coming – and he has developed a well-honed answer which balances the desire to become more international while allowing Veba to list on its own terms.

It seems possible, however, that by the middle of this year a compromise may have been reached. As one observer says: "By that time, they [Veba] will have wrung the SEC so dry they'll have to give in."

Building up the telecoms subsidiary has obviously galvanised Hartmann, who otherwise takes his time to answer questions about the group's strategy. "It's fun to build up a new leg like this," he says, suddenly sitting up in his seat. "It's a lot of work – but it's fun."

That is not the sort of thing you would expect to hear from a German chief executive. But then it seems Hartmann wants to do more than just fit the mould. Most of his counterparts at the top of German industry have carefully folded white handkerchiefs sprouting from their top pockets. Hartmann sometimes settles for bright pink.

In the dry world of German boardrooms, where so much is predictable, sticking his neck out like that suggests that Ulrich Hartmann has found a sure footing at Veba.

MEDIA FUTURES

Video discs: out to avoid a format war

Toshiba holds sway in standards battle, reports Alice Rawsthorn

Only a few weeks ago, senior executives of Sony and Philips gathered in the US for the first public demonstration of their digital video disc, which combines the functions of audio compact discs and video cassettes. They hoped it would be one of the hottest new products of the late 1990s.

The two groups are now frantically rethinking their strategy after last week's announcement that most of their fellow consumer electronics companies – and many leading Hollywood film studios – were backing a different version of the video disc devised by Toshiba, the Japanese electronics concern, and Time Warner, the US entertainment group.

Sony and Philips have two choices. They can abandon their original plan to launch their own disc in favour of trying to strike a compromise with the Toshiba camp. Or they can press ahead with the launch, thereby plunging the electronic industry into yet another format war.

Publicly the two companies claim they still hope to persuade the industry to accept their disc. Privately they admit that, as the Toshiba version has attracted so much support, they have no real option but to negotiate a compromise with the rival camp in order to avert a format confrontation.

The electronics industry is no stranger to format warfare. Sony, Philips, Toshiba and the other electronics groups all compete fiercely in the field of product development to try to gain a technological edge.

Each company can develop its own distinctive versions of the different categories of electronics hardware, such as television sets or compact disc systems. After all, it does not matter whether a Sanyo television set works differently from one made by Panasonic, providing they fulfil the same function for the consumer by receiving and relaying the required broadcast signals.

But if a new format, or the device that creates a new category of products such as a cassette tape or compact disc, is to fulfil its commercial potential, it must be adopted by the entire electronics industry. Otherwise consumers may be confused by the different options, and it will be difficult to persuade the industry's software suppliers, in the music and film businesses, to make their products available in a particular format.

Such a scenario has already unfolded in the audio sector. Sony launched its MiniDisc, a miniaturised compact disc system, in 1992 at roughly the same time as Matsushita and Philips introduced their jointly developed digital compact cassette.

Both formats have been marketed to consumers as formats that combine the portability of cassettes with the high audio quality of compact disc. Neither has succeeded in establishing itself as a standard choice for consumers.

Perhaps the most dramatic, and damaging, format war of recent times was the battle over video cassettes. Sony and Matsushita invented different formats – Betamax and VHS respectively – during the mid-1970s. Neither company was prepared to concede defeat, so both forged ahead with launch plans by manufacturing and marketing their own versions.

Betamax was generally accepted in the industry as the technically superior format. However, Matsushita, the world's largest consumer electronics concern, not only had the advantage of being a bigger business than its rival; it also had more commercial clout in persuading other manufacturers to accept its format.

Sony battled on throughout the late 1970s and 1980s, although it found it increasingly difficult to persuade retailers to stock Betamax, or the movie studios to release films on its format as well as on the more popular VHS cassettes. The company finally admitted defeat in 1989 when it started to manufacture VHS video systems.

Today Sony accepts that it made a serious misjudgment in backing Betamax for so long. It has not actually lost money from the product. Betamax was profitable overall and actually beat VHS by establishing itself as the leading format in some markets, mostly in Latin America. The company still manufactures several hundred thousand Betamax systems a year.

However, its commitment to Betamax meant that Sony was a late-comer in video cassettes and recorders, one of the most buoyant product sectors of the 1980s. As a result, it lost the opportunity to make a great deal of money. It is this knowledge that has prompted it to take a conciliatory line on digital video discs. "We won't make another wrong decision because of corporate pride," said an executive.

Toshiba now has an opportunity to establish its disc as a standard format by swinging the entire industry, including Sony and Philips, behind it. To do so, it must negotiate the financial terms for using its video disc technology with the rest of the industry.

One option would be for Toshiba to declare the product a "conference format", whereby it makes the technology available to competitors free of charge. Sony adopted this approach for its 8mm video cassette.

However, companies only tend to follow the conference route if they suspect it is the only way to persuade competitors to accept their format as an industry standard. The preferred option is to charge royalties to rivals in return for the right to license their technology, as Sony and Philips did when they invented the audio-CD in 1982.

The precise terms of the agreement are shrouded in secrecy, but they are believed to receive roughly 2p for each disc produced, which would have generated over £25m in royalties last year.

Toshiba is in a strong position to insist on royalty payments from Sony and Philips if they decide to adopt its video disc technology. It has, after all, already secured the support of Matsushita, Pioneer, Hitachi and Thomson in electronics, as well as that of Walt Disney, 20th Century Fox, MGM/UA and its old ally, Time Warner, in entertainment.

In such circumstances the licensor negotiates different royalty terms with each prospective licensee. The value of the terms varies according to the strategic relationship between the different parties and whether the licensee has contributed any proprietary technology to the product.

Matsushita, for instance, was given favourable royalty terms for the audio-CD as it has a patent exchange agreement with Philips and some of its technology was used in the product specification.

Sony and Philips hope to secure favourable terms from Toshiba, given that a number of their patents will almost certainly have been used in its video disc. Indeed, they claim they are only pursuing their conciliatory stance on the assumption of securing reasonable terms from Toshiba. The two camps have now begun exploratory discussions in Tokyo to try to find a compromise. A fully-fledged format war seems to have been averted on the digital video disc front, at least for the moment, but the industry is haunted by the threat of future battles over other formats.

One possibility is a skirmish over the next generation of discs. Pioneer's engineers are already working on a miniaturised version of the laser disc, due to be launched early next century. Yet Pioneer's competitors may well have ideas for discs of their own.

Worldwide sales 1994

Source: Industry estimates

The march towards digital telephony

By Alan Cane

In Britain, at any rate, analogue mobile phone services of the kind offered by Vodafone or Cellnet reign supreme. But their dominance will be short lived.

Their technology is mature and reliable, and geographic coverage more than adequate, but within a few years it seems certain that services based on digital – or computer – technology will have taken their place.

Digital technology squeezes substantially more capacity out of the available radio frequencies, while digital handsets are smaller, lighter and cheaper to make than their analogue counterparts.

Battery life is longer, too.

And, remarkably, Europe is setting the pace in digital telephony, with a standard called GSM (Global Standard for Mobile communications) that looks like being adopted by a majority of countries worldwide.

A constraint is that GSM handsets are expensive at present – up to £600 retail for a de luxe model.

But prices are on the slide, helped by research of the kind being carried out by The Technology Partnership, a small, innovative consultancy based near Cambridge, England.

According to Tony Milbourn, head of the partnership's telecommunications group, the market will soon be flooded with low-cost GSM handsets from a variety of manufacturers, in the same way that the personal computer market was flooded with low-cost clones of the IBM personal computer.

An important factor in that revolution was the emergence of semiconductor designers like the US firm Chips & Technologies, which developed functionally identical electronics to IBM at lower prices.

Milbourn says he wants the partnership to be the Chips & Technologies of the GSM business.

He is working with manufacturers including Hitachi, of Japan, and Analog Devices, of the US, to develop a GSM handset which can be sold for £140 or less.

The aim is not to sell the technology to Nokia or Motorola, the world leaders in mobile handsets.

He freely admits: "There is nothing we can offer that Nokia cannot develop."

Instead, his target market is second-tier manufacturers: companies that may not be in the mobile phone business at all just now but are anxious to take advantage of the market opportunity.

Milbourn can offer such companies everything from sets of specially designed chips and software to a custom-designed handset.

He already has some 20 customers in Europe and the far east. Telecommunications products account for about a quarter of the partnership's revenues.

However, an obscure row over European technical standards has thrown something of a shadow over the GSM project.

The effect of the row has been to call into question the ownership of much of the intellectual property involved in telecommunications standards, including GSM.

As a result, a number of potential customers have decided to put their mobile handset projects on ice until questions of ownership and royalties are resolved.

Milbourn says that at least three customers have decided to delay their decisions.

At $450,000 for a basic set of chip designs, it is proving a costly dispute for the partnership.

A guard against tampering

By Louise Kehoe

A software system that enables businesses to certify that computer documents have not been altered or tampered with has been launched by Surety Technologies, a company formed by researchers from Bellcore, the US telecommunications industry research laboratory.

Aimed at companies involved in electronic commerce, the system could be used, for example, to certify a contract or payment order.

The Digital Notary system creates the digital equivalent of a paper audit trail. It enables users to "freeze" the contents of a computer document by affixing a secure digital time-stamp – without revealing the contents of the document to a third party.

"A digital time bomb is ticking away within the halls of corporate America. Electronic records, unverifiable and easily tampered with, can explode into staggering liabilities that undermine electronic commerce itself," says Scott Stornetta, Surety's chairman. "The Digital Notary system defuses this threat by giving businesses the ability to safeguard and validate these records."

Surety says that the system has already generated interest from Wall Street firms which want to certify millions of stock trades automatically as they occur, as well as from the pharmaceutical industry where it may be used to establish precedence for patent claims.

The main function of the system is to detect automatically if electronic documents have been altered or back dated. It is based on patented cryptographic technology developed by Surety's founders while working at Bellcore.

The Digital Notary software creates a unique "digital fingerprint" for each electronic document, and sends the fingerprints to a Digital Notary co-ordinating server over the Internet, a leased phone line or an ISDN connection.

Based on information sent back by the server, the software then issues time-stamped certificates for the electronic documents and stores the certificates in a local database.

A single-user version of the software can be downloaded from Surety's World Wide Web server at http://www.surety.com. For $48, users will receive the software, account set-up and 50 certificates.

ARCHITECTURE

Worthy winner at Windsor

Colin Amery on plans for rebuilding the castle and converting Bankside

The richness of architectural life in England was celebrated last week by the simultaneous announcements of two major architectural competitions. The plans for the rebuilding of the fire-damaged parts of Windsor Castle were revealed; and the selection of a relatively unknown Swiss firm of architects to redesign the interior of Bankside power station, near Southwark Bridge, central London, as the Tate Gallery of Modern Art, was made public after an international competition.

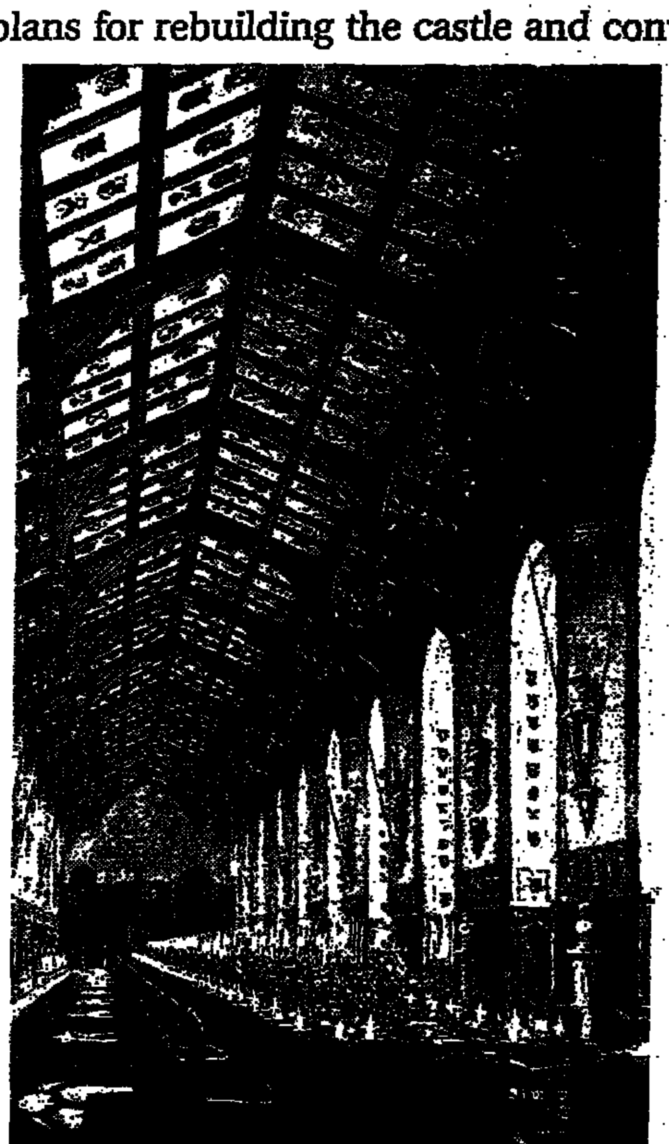
At Windsor, the decision was taken by two committees to restore the majority of damaged rooms to the condition they were in before the fire. There was wisdom in that because of the miraculous survival of most of the furniture and contents. There are five major state rooms which will be reinstated: the green drawing room and the crimson drawing room, both by Sir Jeffrey Wyatville (1766-1840); the state dining room and the adjoining octagon dining room, with some furniture from Carlton House and some by the 15-year-old Pugin; and the grand reception room by Wyatville, which is a bold and fascinating exercise in rococo revival.

The three other major rooms that were totally destroyed – the private chapel and the Stuart and Holbein room, as well as the ceiling of Saint George's hall – were made the subject of an architectural competition. The winner is the Sidell Gibson Partnership, which was selected from an international shortlist of six firms.

The new work is to be commended for its contextual integrity, while not being slavishly gothic. The architects' decision to preserve as much as possible of the fabric while using the historical traditions of Windsor as a source book must be the right one.

The replanning of this part of the castle since the fire enables much of the space which was taken by the rather grim private chapel designed by Edward Blore for Queen Victoria to be used as a new octagonal processional space.

Sidell Gibson has understood that Windsor is a romantic castle that is still lived in and in use as a royal residence. This makes it unique, and it would have been wrong to build something temporarily fashionable unless it was of the highest possible design quality.



Windsor plan: to be commended for its contextual integrity

Of all the entrants in the Windsor competition, the design by the remarkable Hungarian architect Imre Makovecz was the most intriguing. He left the fire-damaged walls of the hall as bare stone but then proposed painting them gold.

His roof for Saint George's hall was to be of timber, glass and steel, and hung with statues of angels – in Makovecz's words, "guardians of the truth." His plans for the old private chapel were to fill it with plants and leave the fire-scorched gothic detail as a reminder of the tragic fire. Makovecz was thought to be too radical, as was the mixture of classical and gothic rooms proposed by Christopher Smallwood.

The Sidell Gibson partner responsible for the Windsor designs is Giles Downes, who as a young man was inspired to study architecture by his experience of a visit to the Church of the Holy Family by Antonio Gaudi, in Barcelona.

For Windsor he is evolving a 21st century version of gothic, using timber in a structural way. The new ceiling of Saint George's hall will be the largest green oak structure to be built anywhere, and the octagon roof makes extensive use of kiln dried oak and new laminates. There is an opportunity for a major commission of a great new stained glass window in the new private chapel where Giles Downes has designed a contemporary version of an angel roof. This new gothic work is inspired by natural forms and the use of timber. It is not copying older styles but has a stylistic sympathy with the castle and its traditional uses.

While Windsor rightly chose to follow a route for new work that matched the integrity of the castle, it was a harder task finding an architect for the creation of a gallery of contemporary art in a former London power station. The choice of the Swiss firm of Herzog and de Meuron for the new Tate gallery has to be seen as something of a shot in the dark.

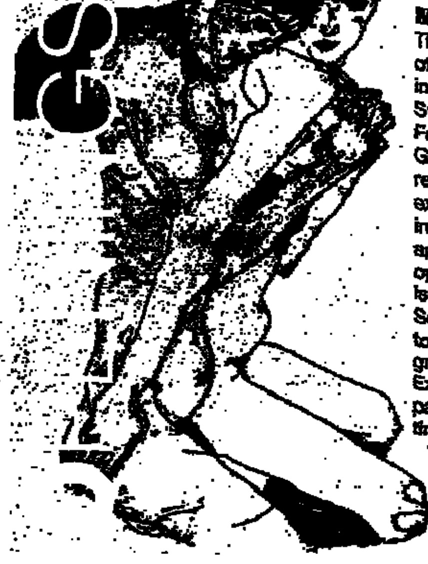
The competition system is open to all sorts of problems and is bound to be influenced almost entirely by the composition of the jury. The jury for the Bankside competition was very impressed by the work that this firm has done in Basle, where it has built a railway engine shed and signal box that have won the major Swiss architectural award.

Almost the most important thing about Bankside is the site itself, and the potential for a major new user to help rejuvenate the entire neighbourhood. Clearly an important part of the success of the new Tate will depend on establishing a new and effective pedestrian bridge between the City of London and Bankside, to help bring the tourists and visitors across from St Paul's.

There was always an argument for the demolition of Bankside power station, especially as it is not a listed building. But the Tate has always treated it as though it was. Herzog and de Meuron have a difficult task to transform this landmark into a wonderful space, and it is right to reserve judgment as their work is so little known in Britain.

Wait and see seems to be the best approach to the Tate. There will be an opportunity to see more in an exhibition at the existing Tate gallery of the architects' proposals from February 21.

ARTS



MARTIGNY
The main attraction of this small town in French-speaking Switzerland is the Fondation Pierre Gianadda, which regularly mounts exhibitions of international appeal. The latest, opening on Friday, is devoted to Egon Schiele, regarded today as one of the great Austrian Expressionist painters. At the time of his death in 1918 at the age of 28, many were shocked by his erotic drawings.

LONDON
The celebration of Sir Michael Tippett's 90th birthday begins in earnest this week. On Sunday the Barbican embarks on its "Tippett: Visions of Paradise" festival, embracing many of the composer's major works. Sir Colin Davis, long a supporter of Tippett's music, conducts the London Symphony Orchestra in the oratorio "A Child of our Time", written as the Nazi shadow darkened over Europe. Tippett's second opera, "King Priam", opens at English National Opera on Friday.

MUNICH
An unusual exhibition of traditional African art opens at Villa Stuck on Thursday. Instead of another display of sculpted figures, the show is devoted to various types of seating - from simply-carved everyday chairs to richly ornamented wooden thrones and ceremonial stools. Most of the 150 exhibits date from the early part of this century.

NAPLES
The high spot of the Neapolitan opera season promises to be Giacomo Tritto's "Il convitato di pietra" (1783), opening at the Teatro il Corte on Wednesday. Tritto is better known as the teacher of Bellini and Spontini than for his own creative efforts. This new production, conducted by Peter Maag (left), may help redress the balance.

BRUSSELS
Puccini's "Trittico" is a long evening: most opera companies drop "Suor Angelica" and keep "Il tabarro" and "Gianni Schicchi". But a recent trend in northern Europe suggests the full trilogy is back in favour. The Monnaie adds it to its repertory on Friday, in a staging by Stein Winge. The conductor is Antonio Pappano, and Jose van Dam sings Schicchi.

Pixillating the pixels

Nigel Andrews on the digital revolution hitting cinema screens

The old saying declaims: "The camera does not lie." But will future film-going generations believe that? At their disposal today is an art form, now reaching its centenary, which is beginning to turn every day of the year – not just its birthday – into a conjuror's party.

It is called the digital revolution and most of us have seen its best recent tricks. In *Forrest Gump* a well-known two-legged actor appears with no legs. In *Speed* a 30-foot gap appears in a Los Angeles flyover that has no gap. In *Stargate* pyramids fly and Egyptian towns sprout in the Arizona desert...

Time, space and reality are plasticine in the hands of special effects experts wielding nothing larger than a computer. Anything is possible, including the impossible. Tom Hanks never shooks hands with JFK, but we see him do it. Jim Carrey never turned into a cartoon version of himself, but in *The Mask* he keeps doing so. And the Florida Keys' bridge was never blown up; but ever since the lifelike simulation of that action in *True Lies*, the state tourist board has been besieged by callers asking how to get to Key West while the road is down.

In the old days – which lasted until roughly two years ago – filmgoers could hug their audiovisual scepticism amid all the reality/fantasy switchbackings. They could watch Charlton Heston part the Red Sea and say, "Wonderful. But we can see the joins." Twenty years later in *Star Wars*, they could see the shimmery dark outlines that said "matte shots": those composite images in which one piece of footage is wedged into, or laid over, another.

Today, though, digital technology has conquered moviedom. Jim Morris is the head of Industrial Light and Magic, which has led the FX field ever since the company was founded by George Lucas (of *Star Wars*). Morris and his men have been responsible for the likes of *Gump* and *Mask* and are now buffing up the old *Star Wars* trilogy prior to releasing it in digitally renovated form.

"The revolution has been so dramatic," Morris says, "that in just two years all the old technologies have been mothballed. Around 1993 it really hit critical mass. Suddenly it was cheaper to do certain things digitally than photo-chemically."

In the photo-chemical days effects were done in the camera during filming or on the optical printer after it. *Wobble, outlines, two-dimensionality* resulted. Today, computers have pushed that era aside and also created a universe of new possibilities.

One is an almost infinite freedom in "compositing". Take the shot of the Harrier jet landing on a Miami street in *True Lies*. In reality the plane was lowered by cables. But during seven months of computerised massaging, 30 different trick elements were added or deployed, from digitally-added smoke and heat-shimmer to erased suspension cables.

The other breakthrough today is synthetic characters. Advancing from the water tentacle in *The Abyss* to the T-1000 cyborg in *Terminator 2* and then to Jim Carrey's human chameleon in *The Mask*, these bio-magical beings have all been conjured by experts sitting at their workstations pixilating the pixels.

Not surprisingly, Hollywood is awash with kinetic sci-fi films right now. *Stargate* and *Star Trek Generations* both contain sequences that would have been unfilmable three or four years ago.

Stargate went to the Yuma desert and turned it into Ancient Egypt. Effects supervisor Jeff Kleiser explains, "We'd take a background plate shot in Arizona, then digitally add pyramids and sun and lens-flare. In the computer, we'd fix up some palm trees, and we'd build a whole desert city from a couple of photos of stucco'd buildings. Then we'd take a shot where we had a thousand extras in the desert and turn them into ten thousand. All done digitally."

Sounds easy and as a business practicality it is. Kleiser himself checked in at Carolco Pictures (*Stargate* HQ) with his computers, linked them up to his own HQ in Massachusetts, and was ready to roll.

David Carson, director of *Star Trek Generations* which opens in Britain next month, also used digital technology to cut corners which *it would once have been impossible* even to turn. But if computers take the "Can't do" out of cinema effects, they don't do so for free. The most expensive single-shot effect in *Star Trek* came in at $180,000: a camera pull-away into deep space at a moment of climactic collision for Captain Kirk's ship.

In another recent movie, Jan De Bont's *Speed*, there was an exorbitantly complex trick that audiences weren't even *aware* was a trick. "The shot of the gap in the raised freeway, seen through the windscreen of the approaching bus, was created digitally. We had to 'erase' that section of road, then paint in a new background, all by computer."

Jim Carrey in 'The Mask': time, space and reality are plasticine in the hand of the special effects department

The showier the shot, the easier it usually is. The *unnoticed* deceptions take the time and trouble.

At Digital Domain, a top effects facility in Venice, California founded by director James Cameron of *The Terminator* and *Aliens*, they have experienced both. John Bruno, Oscar-winning Effects Supervisor on *The Abyss* and later image-magician on *Terminator 2* and *True Lies*, was responsible for the most famous showy-but-simple effect in modern movie history.

He and Cameron puzzled long over how to design the shape-changing killer android for *T2*. Then Bruno had the brainwave of using 'reject' software from *The Abyss*: the first trial-and-error manifestations of the earlier film's water tentacle. "That liquid metallic surface *like undulating mercury fitted the* other-worldly look of the cyborg and enabled the transformations to be fluid and realistic."

Audiences went barmy for the effect; and for the then-novel 'morphing' technique that enabled the cyborg to sprout, seamlessly and at will, its metallic killing limbs. Today, disconcertingly, Bruno is blasé about morphing. "It's something anyone can do. You can do it at home on your Mackintosh." Such is the speed of modern movie progress: yesterday's mind-boggling device becomes today's techno-yawn.

Rob Legato, a Digital Domain fellow wizard who designed the effects for *Interview With The Vampire*, agrees that big, showy effects are both easier to do and quicker to lose their appeal. Unlike *T2*'s, the tricks in *Vampire* were intended to be subtle and "under the top." But they involved creating entire landscapes out of absolutely nothing.

John Bruno did the same in *True Lies*. The opening shot shows a Swiss mansion sitting by an icy lake: "the house was in Newport, Rhode Island," says Bruno. "The mountains were four-by-five still photographs colour-timed to be night shots. The snowscape was near Lake Tahoe, Nevada. The lake was computer-generated."

It is not that movie-makers might not have composited a shot like this in the old days; *but we would have noticed it*. Digital Domain's latest in-house project is a sci-fi epic called *Apollo 13*, starring Tom Hanks. Based on the near-disastrous mission that missed the moon and almost killed a crew, the film will set out to look ruggedly realistic while using every trick known to digital man. In charge, Rob Legato.

I was shown round a dozen workstations at Digital Domain where human gremlins sat bug-eyed before their screens. Pixel by pixel, they were turning the film's modelwork footage shot to date – rockets lifting off, NASA-style hardware roiling through space – into images of Odeon-worthy verisimilitude. Add that heat shimmer; programme in those smoke-whorls; turn dawn to noon or noon to dusk.

Where, I asked at one point, is the director in all this: Ron Howard of *Cocoon* and *Backdraft*? "Oh I think I saw him drive into the parking lot once," said someone vaguely.

Other effects-movie directors are more hands-on. The project causing most gibbers of excitement in Tinseltown today is *Godzilla*: partly because the monster film is sitting on its starting blocks priced at a monstrous $100m. Even that will not be enough, believes its assigned director, *Speed*'s Jan De Bont. "It demands technology that's not even available yet," explains De Bont.

But why? Godzilla films have been made before.

"But Godzilla himself has always *been in the background, just* destroying cities," says De Bont. "We make him into a character. He's 250 feet tall. And the interaction of a photo-realistic monster that size with real landscapes, towns and water, that's never been done. The 'miniatures' alone would have to be gigantic."

Japanese-owned Sony-Columbia, not surprisingly, are keen on the project. So will they give their director the extra $30m he says he needs? ILM's Jim Morris thinks De Bont is right. "We've reached the stage when no visual effect is not 'do-able.' But with a film of that scope you run into financial problems. The rule of thumb is that approximately every two years you get a doubling of computer speeds for the same cost. So Columbia either need to up the budget for *Godzilla* or do it two years down the line."

By that time, though, we may *have moved on from movies alto*gether. I left Hollywood with one last whip-round question. What about Virtual Reality? Isn't sitting passively waiting for images to be thrown at us becoming old hat? Won't we all soon demand the right to walk through interactive environments, feeling, touching and tasting as well as seeing and hearing?

Everyone hummed and hah'd and Jim Morris summed up the general feeling: "It won't supplant narrative cinema. It's good for theme parks and arcades, but not all audiences want to 'participate'. Teenagers growing up with computer games may want that interactive experience. But most of us want to sit and be entertained and let someone else do the work."

By appealing to that instinct cinema got rich in its first hundred years. By continuing to appeal to it – with a newer, better set of visual blandishments – it will no doubt get richer still in its second century.

Jazz

Grolnick: maturing talent

It is hard to make a good living out of jazz, which goes some way to explaining why New York pianist Don Grolnick's considerable talent for post-bop has been hidden behind his more lucrative AOR (adult-oriented rock) work. He has a formidable reputation among musos as an exceptional session player and producer: his hands are behind hits from James Taylor, Linda Ronstadt and Steely Dan. And although he has a brace of excellent Blue Note albums under his belt, Grolnick remains less well known to jazz fans than his famous sidemen.

The company Grolnick is keeping on this first UK tour is an indication of his standing in jazz circles, however. Out front, longtime associate tenorist Mike Brecker with trumpet playing brother Randy stand beside Robin Eubanks (trombone) and Marty Ehrlich (reeds and flute); Pete Erskine (drums) and Peter Washington (bass) provide a superior rhythmic pulse.

In the first of two beautifully paced sets at the Cambridge Corn Exchange, his septet moved gracefully through Grolnick originals, precisely arranged to show soloists off within finely cast harmonies, the leader dabbing out chords of encouragement. "Heart of Darkness" and "Five Bars" hung in the air like Ellington blues, while churning interplay reminiscent of Mingus moved the others.

This sensuously smouldering sound seemed to have set in for the night until percussionist Don Alias ambled on to spark the band into a flaming version of "What Is This Thing Called Love". Thereafter, the four horns exchanged blazing solos, the formidable Breckers stepping up the temperature, Ehrlich's gulping bass clarinet feeding off the leader's two handed comping. In the second set, Alias and Erskine fully warmed up and Ehrlich's reeds swapped for flute, Grolnick switched to Latin mode with pieces from Andrew Hill and Wayne Shorter, closing with the pliable harmonies of "Cost Of Living" and the Monkish "One Bird One Stone".

That Grolnick himself kept his powder dry is a measure of this articular leader's style – the composed composer. Blue Note should cherish him: it would be a pity if this maturing talent were lost again to the fatuity of the FM waveband.

Garry Booth

Performances at Billingham (31) and Leeds (Feb 2). Sponsored by Contemporary Music Network

INTERNATIONAL ARTS GUIDE

■ BERLIN

OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Der Fliegende Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31.
● L'Italiana in Algeri: by Rossini. Conducted by Ion Marin/Carlo Rizzi, produced by Jérôme Savary at 7 pm; Feb 4
● The Marriage of Figaro: by Mozart. Conducted by Stefan Soltesz, produced by Götz Friedrich at 7 pm; Feb 7

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Tippett: Visions of Paradise: opening concert of the 'Visions of Paradise' festival that celebrates the 90th birthday of one of the most eminent living British composers. Sir Colin Davis conducts the London Symphony Orchestra to play Mozart and Tippett's own, 'A Child of Our Time' at 7.30 pm; Feb 5
Festival Hall Tel: (0171) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra with soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30; Feb 4
● Royal Philharmonic Orchestra: *with pianist Eliso Virsaladze and* conductor Yuri Temirkanov plays Britten, Prokofiev and Shostakovich at 7.30 pm; Jan 31
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
GALLERIES
Barbican Tel: (0171) 638 8891
● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; to May 7
OPERA/BALLET
English National Opera Tel: (0171) 632 8300
● King Priam: a new production of Tippet's opera opens the London festival - Tippet: Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jonathan Miller's updated version of Verdi's opera where the duke is a mafia boss at 7.30 pm; Feb 1, 4
Royal Opera House Tel: (0171) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 31; Feb 3, 6
● Der Rosenkavalier: by Strauss. Conducted by Andrew Davis, directed by John Schlesinger. Soloists include Felicity Lott/Anna Tomowa-Sintow as Prinzess von Werdenberg at 6.30 pm; Feb 4 (5.30 pm), 7
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Feb 1
● Troilus and Cressida: by Walton. An Opera North production *conducted by Richard Hickox and* directed by Matthew Warchus at 7.30 pm; Jan 30; Feb 2
THEATRE
Albery Tel: (0171) 876 1115
● As You Like It: by Shakespeare. Declan Donnellan directs an all–male cast that includes Adrian Lester and Richard Cant at 7.30 pm; (Not Sun)
Barbican Tel: (0171) 638 8891
● New England: Richard Nelson's new play at 7.15 pm; Feb 3, 4
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, *directed by Howard Davies* at 7.30 pm; Feb 3, 4 (2.15 pm)
National, Olivier Tel: (0171) 928 2252
● The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldine Fitzgerald as Mistress Ford at 7.15 pm; Jan 30; Feb 6, 7

■ NEW YORK

GALLERIES
Guggenheim Soho
● Antoni Tapies: 55 of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions: exhibition featuring about 40 works including seven of the surviving 'Composition' paintings; to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1, 4, 7
● Il Barbiere di Siviglia: by Rossini. Produced by John Cox, conducted by David Atherton at 8 pm; Feb 6
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Feb 3
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levine conducts the opening night cast of Cheryl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 30; Feb 2
● *Turandot: by Puccini. Produced* by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 31; Feb 4
THEATRE
Roundabout Theatre Company Tel: (212) 869 8400
● The School for Husbands/ The Imaginary Cuckold: by Molière. Michael Langham directs. Starring Brian Bedford at 8 pm; from Feb 2 to Mar 12 (Not Mon)

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Jorge Chaminé: baritone with pianist Maria Françoise Bucquet plays Tchaikovsky, Borodin and Glinka at 8.30 pm; Feb 7
● London Symphony Orchestra: with soprano Jessye Norman. Pierre Boulez conducts Berg, Bartók and his own compositions at 8.30 pm; Feb 1, 2
● Maxim Vengerov and Itmar Golan: an evening of violin and piano recitals by Mozart, Beethoven, Prokofiev and Shostakovich with violinist Vengerov and pianist Golan at 8.30 pm; Feb 6
● *Viennese Philharmonic Orchestra:* Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30
OPERA/BALLET
Opéra Comique Tel: (42 96 12 20
● Lakmé: By Delibes. Conducted by Frédéricc Chaslin and produced by Gilbert Blin at 7.30 pm; from Jan 31 to Feb 18

■ WASHINGTON

CONCERTS
Kennedy Center Tel: (202) 467 4600
● *Washington Chamber Symphony:* Stephen Simon conducts Tower, Mozart and Mendelssohn at 7.30 pm; Feb 3, 4
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2, 6 (7 pm)
● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Jan 30; Feb 1, 3, 5 *(2 pm)*
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton at 7.30 pm; to Mar 19 (Not Mon)
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4600
● How to Suceed in Business Without Really Trying: co-production *with the Kennedy Center. Directed* by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the little window-washer with big corporate dreams at 8 pm; to Feb 26 (Not Mon)
Studio Theater Tel: (202) 332 3300
● Conversations with My Father: Herb Gardner's autobiographical work, directed by John Going. Sun 2pm and 7pm otherwise at 8 pm; to Feb 5 (Not Mon)

■ ZURICH

OPERA/BALLET
Opernhaus Tel: (01) 262 0909
● Der Freischütz: By Weber. Conducted by Nikolaus Harnoncourt and produced by Ruth Berghaus. Soloists include Inga Nielsen and Malin Hartelius at 7.30 pm; Feb 3
● Die Fledermaus: by Strauss. Conducted by Franz Welser-Möst and produced by Robert Herzl at 7.30 pm; Feb 1
● Linda di Chamounix: by Donizetti. Premiere conducted by Adam *Fischer and produced by Daniel* Schmid. In Italian at 7.30 pm; Jan 31
● The Masked Ball: by Verdi. Conducted by Franz Welser-Möst and produced by Michael Hampe at 7.30 pm; Feb 2, 5 (4 pm)

WORLD SERVICE

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Financial Times Business Tonight

A better European policy for Britain

PERSONAL VIEW

The ratchet effect of Euroscepticism now *risks* doing huge damage to British interests. For too many months, the debate on Europe within the Conservative party has been shifting destructively in the direction of disengagement and isolation. Britain's national interest and the best strategy for pursuing it – questions that should be central to the concerns of a governing party – are being subordinated to short-term, tactical considerations of party management.

The Conservative agenda on Europe is no longer determined by the needs of government, but by the search for olive branches towards those *for whom constructive membership* of the European Union is unacceptable. In the search for party unity at any price, UK foreign policy is being dragged into a ghetto of sentimentality and self-delusion.

A new language of semi-detachment is being created. The world outside Britain is being recast in the hope of making political life at home easier to manage. The UK's capacity to define, articulate and pursue credible, coherent interests at the European negotiating table risks being cast away.

Instead Britain seems increasingly reconciled to an opt-out mentality, which foresees a future increasingly detached from Germany, France and the European mainstream. Rather than defin*ing common interests and solu*tions with Bonn and Paris, the UK is expected to leave it to them to shape their future, and decide later whether to join arrangements which it has played no significant part in moulding. This is a profoundly negative prospect, humiliating to a great nation that aspires to world influence.

The components of this developing tragedy are clear. Mr John Major's government *has struggled to build its Euro*pean policy not on a substantial majority in both Houses of Parliament, but on the non-existent unity of a single party.

At no time has that been a viable possibility for any British government. When the UK joined the EU in 1973 and during the referendum of 1975, the governing parties of the time *included irreconcilable cores of* opposition, anxious to thwart membership. They were defeated by the determination of those governments to mobilise a wider majority in Westminster and in the country.

The current government could have pursued the same approach. *It had the opportu*nity to do so in 1992, when the Commons overwhelmingly endorsed its achievement at Maastricht. But this position of strength has been progressively undermined: by a reluctance to press ahead with early ratification, both before and after the Danish No vote; by continual rhetorical concessions to the Eurosceptics; by the espousal of a vision of "multi-speed Europe", which *so easily converts into Britain* stalled in the slow lane of a two-speed Europe; by a misguided search for votes as a nationalist party; and by a willingness to concede ground to those expelled from the parliamentary party in late 1994.

UK foreign policy is being dragged into a ghetto of sentimentality and self-delusion

At the end of this sorry saga, we have a government that threatens to veto any future treaty involving serious institutional change, even when this is essential for the wider *EU it claims to favour;* curiously would allow a referendum only if the UK fails in its 1996 negotiating position; and proclaims its resistance to the "threat" of a single currency in 1997, even if Britain and a majority of member states meet the convergence criteria.

Britain's position on a single currency discounts its importance for our financial services sector, and is becoming just another bargaining chip in the *government's struggle for sur*vival.

For some time now, the country has been told that "Europe is coming our way". In one important sense it is, since British and northern European concerns on markets, monetary discipline, competitiveness, subsidiarity, even free trade, are increasingly *taken seriously in Brussels.* Ironically, the UK has less to fear – and more to gain – from Europe than ever before. But the psychological bogeyman of the centralised, federal superstate is now so pervasive in Conservative thinking that the government cannot approach *the opportunity Europe* offers with maturity and confidence.

What is not "coming our way" is some pan-European refusal to build an ever-closer union. And rightly so. Only by acting more closely together can we control our destiny, especially given the shrinking of the US and the attitudes of its political class, from President Bill Clinton to Mr Newt Gingrich.

Britain has to come to terms *with reality.* A Balladur-Kohl partnership is one that will do business, working towards what Mr Edouard Balladur has called "a monetary and military union". *Our economic and* defence interests require us to play a part in that process. And our capability in both roles still enables us to do so. But not for much longer.

The British can stop progress in an EU context, but not in a bilateral one. The UK commitment to widening the Union without facilitating its decision-making increases the likelihood that France and Germany will go their own way, on their own terms, with a few privileged friends. If we make the EU unworkable, they will find other solutions that exclude us.

On the basis of current UK policy, this hard-core solution would be heralded as a triumph for a pluralist, multi-speed Europe, with few consequences for Britain. In fact it would be a national tragedy of huge proportions. Conservatives seriously committed to Britain's being at the heart of Europe, most notably those who remain in Mr Major's cabinet, have a very real duty to ensure it never happens.

Geoffrey Howe

Lord Howe was UK chancellor 1979-83, foreign secretary 1983-89 and deputy prime minister 1989-90

Blight on the Big Apple

New York City's finances are once again in deep trouble, says **Richard Tomkins**

In 1975 a budget crisis nearly bankrupted New York City. A financial restructuring brought it back from the brink. Now, 20 years later, the city is in trouble again.

New York cannot make ends meet. Mr Rudolph Giuliani, the new Republican mayor, has slashed spending by $3.4bn since coming to office last year, *but still cannot find* enough money to pay the city's bills. Standard & Poor's, the US credit rating agency, is threatening to downgrade the municipal government's debt from single A minus to triple B unless it can set out a convincing financial plan by April.

At the root of New York's problems lies a mismatch between the high cost of its public services and its ability to fund them with taxation.

Historically an entry point for immigrants, the city has a long tradition of generosity towards the needy. Its network of social services is the most extensive in the US. No other cities, for example, run 17 public hospitals, as New York does; nor do they offer a programme called "home relief" that supports about 250,000 unemployed single people with welfare payments even though they have no dependents; nor *do they provide 17,000 home*less people with automatic entitlement to food and shelter.

During the postwar economic revival, New York could afford to be generous. In the 1960s it even started picking up part of the bill for welfare programmes funded by New York State and the federal government, so that it could offer bigger benefits than those bodies would otherwise have been prepared to support. But when the recovery fizzled out and turned into the recession of the 1970s, New York's revenues fell and the city started meeting its growing deficit with increasing *amounts of short-term debt.*

In 1975 the bubble burst when financial markets refused to lend any more. The city narrowly escaped bankruptcy by instigating big cuts in its bureaucracy in return for a debt restructuring arranged by the Municipal Assistance Corporation and its chairman, Mr Felix Rohatyn, the Lazard Freres investment banker.

That crisis could have presented an opportunity to look at ways *of cutting the city's* spending permanently; but as Mr Rohatyn recalls, the impetus for change evaporated once recovery took hold. "Between 1979 and 1984, the city probably hired back all the people who had been taken off the payroll during the fiscal crisis, so that by the time 1985 or 1986 came along, employment was back to where it was before. There had been no fundamental change in functions."

As in the postwar years, the euphoria of the 1980s masked the structural imbalance in the city's budget. With revenues pouring in from Wall Street and the real estate market, the city had no incentive to cut costs: on the contrary, city spending roughly doubled between 1979 and 1989.

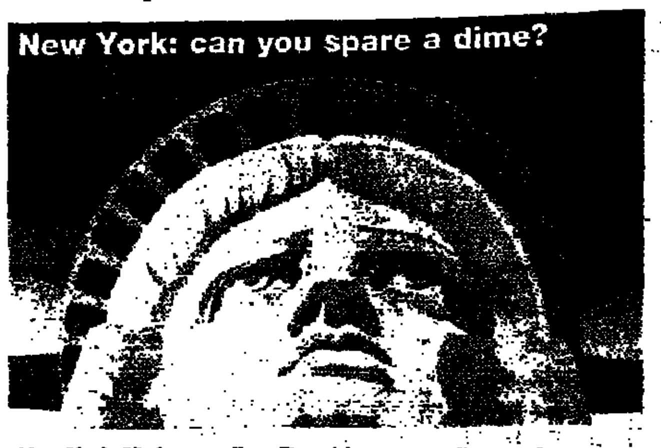
The crunch came with the recession that took hold at the end of the decade. New York had already been clobbered by the Wall Street crash of 1987, which had led to a sharp downturn in revenues from the securities industry. The recession was the last straw: the *local economy slumped.*

Once again, the city faced a budget deficit. After the 1975 crisis, solving the problem with debt issues was clearly not *an option. so instead it* resorted to a combination of tax increases and stop-gap measures such as asset sales and deferrals of spending.

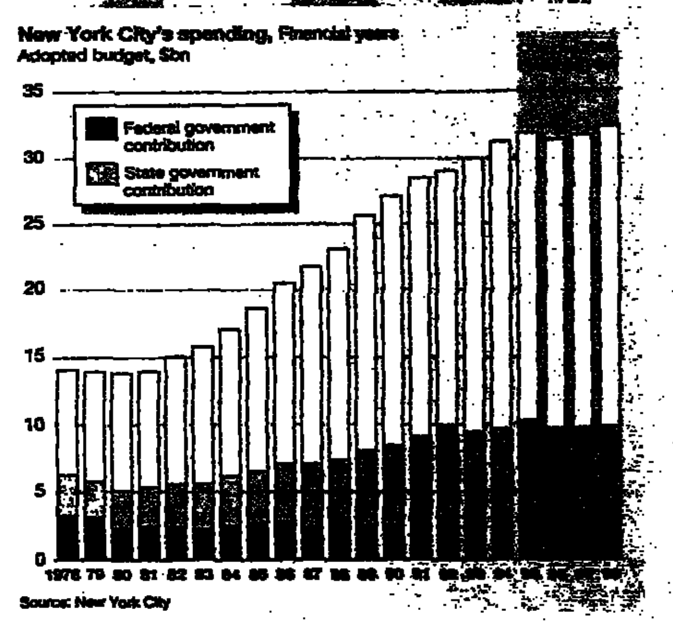
When Mr Giuliani took office a year ago as New York's first Republican mayor in a generation, it was with a commitment to end the city's long tradition of expansive government. In the event, the commitment looked superfluous. The city faced a budget deficit of $2.3bn *for the year starting July 1994,* necessitating drastic action.

Mr Giuliani closed the budget gap by ordering a permanent reduction of 15,000 in the city's workforce of 216,000 – the biggest cut since 1975. But last October, halfway through the financial year, the city found a new gap of $1.1bn had opened up because city revenues had been hit by Wall Street's declining profits. Mr Giuliani announced a further *7,000 job cuts – only to dis*cover last month that another gap of $650m had opened up.

Worse is to come: the deficit for the financial year beginning in July is $2.5bn and rising. "Crisis is not too strong a word for it," Mr Giuliani says.



New York City's spending, Financial years
Adopted budget, $bn



Source: New York City

"We were in a fiscal crisis when I took office, and we continue to be in one." But he adds: "The difference is that we see the fiscal crisis as an opportunity, as opposed to bemoaning it."

The opportunity Mr Giuliani sees is to shrink New York's government permanently. Privatisation forms part of the plan: obvious targets include *the city's chain of about 80 bet*ting shops, the four-star United Nations Plaza Hotel, its television channel and its two radio stations. Government services will also be contracted out. But privatisation alone will not do the trick. Cuts in services are also on the agenda: and the prime targets are welfare programmes for the poor.

According to the Manhattan Institute, a rightwing think-tank, the pruning is overdue. Mr Peter Salins, senior fellow at the institute, says the city's spending on social services is more than four times the average for other cities on a per capita basis: but most of the *spending is lost in bureaucracy* and never reaches the needy.

"If New York was a miniature Sweden with no visible poverty and a high level of affluence to show for all of this, you could argue that it might be worth the cost," Mr Salins says. "But if you look at the indicators of social and economic distress, New York really doesn't show up any better than cities that spend a great deal less."

Whatever the consequences, these cuts will still not be enough. To stand any chance of balancing its books, the city has to persuade New York State to pick up the bill assumed by the city in the 1960s *for contributions towards* state and federal welfare programmes. However, Mr George Pataki, the new Republican governor of New York State, is unwilling to take on further financial liabilities: on the contrary, he is struggling with a $5bn budget deficit of his own.

One of the biggest concerns of Standard & Poor's and other US credit rating agencies is that, far from getting increases in funding from New York State or Washington, the city will face reductions in grants.

The Republicans now in power want to deliver on their campaign promises of tax and spending cuts, and the city has few friends in high places: Mr Newt Gingrich, the new House speaker, despises the city as a decadent relic of unreconstructed liberalism, referring to its "slow-motion suicide". And Mr Giuliani severely damaged his relationship with Republicans at state and national level by crossing party lines to campaign for Mr Mario Cuomo, the Democrat governor of New York State, in last year's election, in which Mr Cuomo was defeated by Mr Pataki.

New York City will probably muddle through, but nobody can yet see how. A sharp rise in the stock market would bring respite, but few expect one soon.

Meanwhile New York is failing to share in the economic growth being experienced across the rest of the US: its economy stagnates, depressed by local taxes more than twice the national average. *In 1991,* the most recent year for which comparable data are available, business and personal income taxes amounted to $96 for every $1,000 the city's population earned, compared with the national average of $46. Yet even this level of taxation can*not meet the city's outgoings.*

"This city has a lot going for it if you can just lop off some of the albatrosses hanging around its neck," says Lazard's Mr Rohatyn. But for the moment, the albatrosses seem to be hanging determinedly on.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').
Translation may be available for letters written in the main international languages.

Position cannot be exploited

From Dr Patrick McCloughan.

Sir, Your editorial, "Northern Ireland awaits" (January 23), makes the point that because the Ulster Unionists now hold the balance of power in the House of Commons, they may exploit their strengthened position to the detriment of the peace process.

We should, however, bear two things in mind. First, simi*lar fears of an unfair advan*tage in negotiations over the future of Northern Ireland were expressed two years ago, when the government seemingly did a "deal" with the Unionists in order to get its Maastricht bill through. Some deal. What happened next was particularly good news for nationalists: talk of all-Ireland institutions with possible executive powers for Dublin.

Second, I doubt whether Mr James Molyneaux, *the Ulster* Unionist leader, *et al* can *credibly* hold to ransom the Conservatives and in the process get the peace package they want. Rather, Mr Molyneaux and *his* friends should bear in mind that, if they push too far, they just might find themselves on the other side of the House, with the Conservatives, facing the still "green" Labour party. Now they wouldn't want that, would they?

Patrick McCloughan,
Department of Economics and Accounting,
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Liverpool L69 3BX
UK

Expediency is behind US budget

From Mr Jan F Wagner.

Sir, It is unfortunate that *Michael Prowse ("Why the fis*cal rules must be changed", January 23), an otherwise astute observer of American politics, fails to see the "balanced budget amendment" for what it really is: fiscal fraud.

Beyond the question of whether the balanced budget is desirable, it is obvious that lawmakers who currently advocate a balanced federal budget are not seriously interested in balancing it by the year *2002. If they were then* they would cease being long on rhetoric and short on specifics.

But their motives are easily deduced. They are not concerned with sound fiscal policy. This entails making hard decisions on cutting all wasteful government spending, most notably entitlements.

Instead, these supporters of a quick fix are, to no one's surprise, concerned only with political gain. Why else would *many of them propose, at the* same time, substantial increases in defence spending and tax cuts that would, according to the US Treasury, explode the deficit? Consider the $1,200bn in spending cuts or tax hikes needed to achieve the sacred balanced budget by 2002. How preposterous, indeed, even to make such proposals.

If the balanced budget clears Congress, which is no way cer*tain, such pseudo-deficit hawks* can return to their constituencies in 1996 and say: "Look, I voted for a balanced budget. But that doesn't mean I'll see to it that we'll get fewer federal dollars or that your taxes will be raised."

And the fact is he or she will be able to get away with gross irresponsibility, for many on Capitol Hill recognise that the balanced budget amendment will almost certainly not be *ratified by two-thirds of the* states.

The governors and legislatures in those states simply cannot stomach the consequences: drastic cuts in federal spending.

I'm sorry, Mr Prowse, the current debate on the balanced budget *amendment in the* House of Representatives isn't about good or bad economic policy. Rather, it is about what is politically expedient, or, stated more bluntly, how we can deceive a misinformed public for political gain. To explain Republican unwillingness to disclose specifics as an attempt to shield the amendment "from the interest groups which the amendment is intended to thwart," is naive.

Jan F Wagner,
855 Hinman Ave. #607,
Evanston, Il 60202, US

Borrowers will find prospects appalling

From Professor Tony Eccles.

Sir, May I add one more fac*tor to those in* Barry Riley's perceptive article on the gloom in the housing market ("Big Brother is eyeing your house", January 21)? In a period of low inflation, new borrowers face a prospect that appals. One day they might actually have to pay most of the mortgage back.

This problem did not afflict those of us who took a deep breath and borrowed heavily in the 1970s and 1980s, for we could rely on the old Rockefeller dictum – "borrow real money now and pay back wooden nickels later". With generally rising house prices and mortgage rates that frequently fell below inflation and pay increases, particularly with tax relief, we could do it. Provided that we had the borrowing capacity, the nerve and the cash flow, a few inflationary years on that daunting mortgage *looked* meagre.

Now the borrower faces significant real interest rates, little relieved by tax rebates, and negligible capital appreciation, itself partly caused by these very factors. The total return from house buying may be negative and the bulk of the real value of the mortgage debt will remain. What young borrowers are going to feel confident to take on a big mortgage in these conditions?

That is why commentators who naively claim that the present ratio of house prices to wages makes houses more "affordable" than for years are still living in the 1980s.

Tony Eccles,
12 Greville Place,
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No help to West Indies

From Mr Ken Gardner.

Sir, I am afraid your leader, "Yes, the EU's gone bananas" (January 25), is excessively British centred and therefore addresses the wrong problem.

The banana regime was not devised to help the (ACP) West Indies but as a protectionist device in favour of Spanish, Portuguese and, particularly, French overseas possessions. In fact, initially the West Indies were badly taken care of and we had some considerable difficulty in giving them their present position in the regime.

Direct aid to the ACP (African, Caribbean and Pacific) states would not change the essential protectionist effect of the regime or help the consumer much. The main cost is that incurred by protection for the overseas territories of EU member states. The regime is a part of the Common Agricultural Policy, and the "constructive role" of the UK is very limited, the UK being always outvoted on these matters.

Ken Gardner,
Member, Economic and Social Committee of European Communities,
Brussels, Belgium

Devolution for Scotland: not a nationalist issue

From Dr Donald Grant.

Sir, In the debate over devolution for Scotland, surely the question which must be asked and answered before all others is this: "Can *one* legislature based in London adequately represent the diversity of peoples at present living in the British Isles?"

The prime minister, John Major, has nothing to fear from a devolution of power which is not dressed up in the clothes of nationalism. Indeed, his justly acclaimed peace process may founder unless it can be put into a context which reduces the importance of the nation state.

The European Union has attempted to establish this contextual framework. If it fails as an idea, the consequences of a resurgence of nationalism in Europe can only be guessed at. History does not set a reassuring precedent.

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FINANCIAL TIMES

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Monday January 30 1995

A treaty worth saving

The nuclear non-proliferation treaty has been in force for 25 years, and has been signed by 168 countries. This year, under its own terms, the signatories have to decide whether it should "continue in force indefinitely", or be extended "for an additional fixed period or periods". They are to do so at a conference in New York, starting in April.

Last week the final session of the preparatory committee for this conference revealed a widening gap between proponents and opponents of the treaty's indefinite extension. The former, led by the US, include three of the other four recognised nuclear powers (the UK, France and Russia), Japan and the whole of Europe. The latter comprise a growing number of what are still, anachronistically, called "non-aligned" states. It is not yet clear which side is in the majority.

That in itself probably puts paid to any hope of indefinite extension. Legally, the decision can be taken by a simple majority. But legality is only half the battle. The treaty is virtually impossible to enforce against a state that makes up its mind to flout it, as North Korea made embarrassingly obvious last year. Its value is above all moral: by the very fact that so many states have signed it, it establishes non-proliferation as a universal norm. It cannot by itself stop proliferation, but it does ensure a favourable international climate for more direct and practical measures of prevention or enforcement.

If the treaty were extended with a large minority of states voting against or abstaining, this moral value would be largely nullified. Desirable though an indefinite extension may be in itself, it would not be worth achieving at that price.

Imbalance of power

The US and its allies have to face the fact that their objective – indefinite extension by consensus, or by an overwhelming majority – is not attainable. The issue which prevented agreement on the treaty's duration when it was first negotiated is still there: a significant number of non-nuclear states is unwilling to let it stay in force indefinitely, because they believe this would perpetuate an unacceptable imbalance of power.

That is true both at the global level and, in at least one sensitive part of the world, at regional level. Globally, the treaty enshrines the privileged status of five powers, those which had already exploded a nuclear device before 1967. In the Middle East, so long as Israel does not sign, it legitimises a regional nuclear monopoly.

More evidence

In the treaty itself, the nuclear powers sought to reassure the non-nuclear ones by undertaking to "pursue negotiations in good faith on effective measures relating to cessation of the nuclear arms race at an early date and to nuclear disarmament, and on a treaty on general and complete disarmament under strict and effective international control". The US and Russia, at least, can claim to have spectacularly reversed the nuclear arms race between them in the last eight years. But many developing countries want more convincing evidence of the nuclear powers' willingness to proceed towards total nuclear disarmament, in the form of a comprehensive test ban treaty and a prohibition on production of fissionable materials for weapons purposes. The Arab states, led by Egypt, want the US to put pressure on Israel to join the treaty.

The nuclear powers are negotiating a test ban, but there is now scarcely more hope of their concluding a treaty on the issue before April than there is of Israel signing the treaty. (Israel professes willingness to make the Middle East a nuclear weapons-free zone, but only as the last stage in a peace process which should also include conventional arms control.) The best that can be hoped for is an extension of the treaty for "fixed periods" – that is, an extension requiring periodic renewal, perhaps every 10 years.

The nuclear powers could accompany their vote with a solemn statement of intent to work towards a comprehensive test ban, a general reduction (if not elimination) of nuclear weapons, and the adherence of all states to the treaty. And the non-nuclear malcontents could accompany theirs with a warning that they reserve the right to withhold approval for extension next time round if not satisfied with the progress made on these issues in the meanwhile.

The morality of animal rights

British animal rights protesters claimed victory on Friday when Swansea airport dropped plans to take cargoes of livestock. Earlier this month, protests also blocked shipments of live lambs and calves from the West Sussex port of Shoreham. Now the demonstrators are targeting other British ports and airports which accept live cargoes. The government would be wrong – and would be acting illegally – if it gave in to the pressure and stopped exports.

The protesters' objective is a ban on the £200m annual UK trade in selling livestock to continental Europe. Lobbyists claim that animals should not be sent on long journeys, and object to the practice of keeping calves in small, dark crates to increase the tenderness of the meat.

The protests have won the support both of radical animal rights groups and of more conservative people. In this, the row resembles recent lobbies against road-building. Unsurprisingly, given the issue's appeal in the traditional Conservative heartland of southern England, Labour has rallied to the calves' cause. Last week it called for a redefinition of farm animals in the Treaty of Rome as "sentient beings", rather than "agricultural products". It also wants an eight-hour limit on journeys and a ban on the veal trade.

Labour is right to recognise that this is a peculiarly resonant issue in the UK. It is part of a wider popular unease about "1980s values", as well as a pronounced trend during this century towards greater sympathy for animals.

But the pursuit of this cause through violent demonstrations is unacceptable. It is objectionable that a small band of lobbyists should prevent people carrying out a legal activity.

Shaky basis

Moreover, the moral basis of the protesters' arguments is shaky, particularly the claim that animals have rights. The concept of rights makes little sense outside a framework where those rights can be exercised. To begin ascribing rights profligately undermines the concept. Should animals have the right to live, or just not to be put in crates? If they have the right to live, should they be protected just from people, or from each other?

A second, distinct argument, that people have a moral obligation not to mistreat animals, has the virtue of coherence. In the UK, that principle is recognised in several laws. But some countries feel that position reflects a peculiarly British sentimentality about animals – an attitude which many see as inconsistently applied, moreover, given the British tolerance of fox hunting.

Trade laws

However, although the UK has banned putting calves in crates since 1990, it does not have the means to impose that stance on other countries. Under current laws, it cannot prevent foreign purchasers of British animals treating those animals in whatever manner they choose. Nor, under existing European trade laws, can it ban exports because of distaste about their eventual fate.

Moreover, the UK does not have a clear moral right to impose its views on animals on other countries. Even countries which agree that cruelty towards animals is unacceptable differ widely on the definition of mistreatment – some do not regard veal crates as cruel.

There are also grounds for holding that in this area – in contrast to questions about the treatment of people – countries should be allowed to choose their own standards. To wage a moral war with other countries on this issue is wrongly to elevate its importance towards that of human rights.

If protesters want to advance their cause, the right route is to urge MPs and Euro MPs to muster support among European Union countries for a change in rules. Mr William Waldegrave, UK agriculture minister, has taken the first steps in doing so. The European Commission plans to review the use of veal crates this year, although some agriculture ministers' lack of interest means that an early revision is unlikely. But if protesters can change European law through legitimate representation, that is all to the good.

However, they should not be allowed to prevent others from pursuing a legal trade. They must recognise, too, that, on this question, the UK does not have the means or the right to impose its views on other countries.

David Marsh and **Tom Burns** assess the political prospects for Prime Minister Felipe González

Hard decisions for Spanish leader

Mr Felipe González, the prime minister who has run Spain for two-thirds of its time as a modern democracy, is facing the most serious crisis of his 12 years in power.

After unexpectedly winning a fourth term in the 1993 election, Mr González is in a predicament. The domestic political climate is worsening and international financial markets – where the peseta has been hit by this month's volatility surrounding the Mexican peso and the Italian lira – are worried about his economic policies.

The chief threat to Mr González's minority Socialist government stems from a stream of disclosures of corruption and impropriety. These include allegations of top-level government involvement in an undercover war against Eta, the Basque separatist movement, during the early 1980s.

Four former interior ministry officials have been arrested on charges of organising death squads. Opinion polls indicate that half the Spanish electorate do not believe Mr González's declaration that he knew nothing of the affair.

Equally damaging have been revelations of illicit interior ministry "secret funds" and accusations of financial malpractice levelled at people connected to the Socialist administration, including the former governor of the Bank of Spain. "At the least, González has been unwise in his choice of friends," comments one leading Spanish diplomat.

The Popular party, the conservative opposition led by Mr José María Aznar, has tried to capitalise on Mr González's unpopularity by demanding general elections to coincide with regional and municipal elections on May 28. The Socialists are expected to suffer losses in these local polls, adding to their setback in the European elections last June when the Popular party gained 10 per cent more of the vote than the Socialists.

The prime minister has rejected early general elections, saying he will stay until the legislative term ends in 1997 and insisting that corruption scandals do not amount to instability, even if they have weakened the government politically.

Economic problems have added to the government's troubles. Mr Pedro Solbes, finance minister, has tried to play down the political and economic uncertainties that have depressed the peseta this month by 3 per cent against the D-Mark. Reaffirming his commitment to economic deregulation and a gradual reduction in the budget deficit and inflation, Mr Solbes said in an interview in Madrid: "We have a majority in parliament ... We will continue to put in place our [reform] measures."

But the chief economist of a leading Spanish bank delivers a different message. To win back the confidence of the financial markets, Mr Solbes needs to cut government spending more sharply than planned this year, he says, perhaps by as much as 2 per cent of gross domestic product. He adds there is a "50-50 chance" that Mr González will be out of office by the summer.

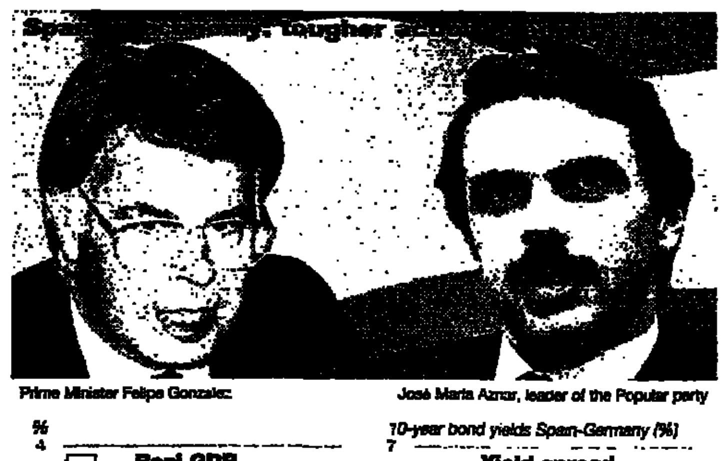
Mr González wants to avoid this, above all since Spain takes over the presidency of the European Union in the second half of 1995. His government hopes to use the presidency to shift EU attention and resources, currently focused on eastern Europe, towards the Mediterranean and the troubled countries of north Africa, particularly in preparing next year's inter-governmental conference on EU reform.

Even the prime minister's erstwhile supporters doubt his capacity to survive, however. El País, the leading Madrid newspaper that was previously Mr González's chief media ally, said recently the government was in a "death agony".

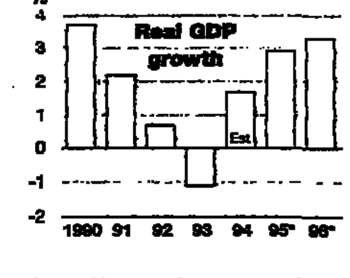
As for the opposition, Mr Rodrigo Rato, the Popular party's economics spokesman, says: "I don't think Mr González will last until 1997." Unless Mr González submits voluntarily to early elections, Mr Rato says he could be forced to do so by a fresh Socialist defeat in the May regional and municipal elections and by more foreign exchange turbulence.

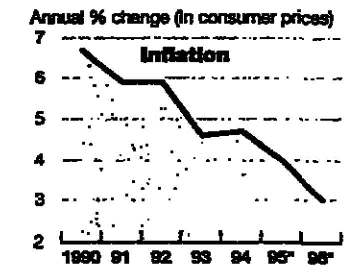
Mr González's immediate future depends on maintaining parliamentary support for the Socialists from 17 deputies from the Catalan party, CiU, whose votes give him a parliamentary majority. Mr Jordi Pujol, the Catalan leader, has stopped short of entering a formal coalition with Mr González, but is continuing to back the government's economic policies at the same time as demanding increased funding and power for Catalonia.

The next two months will be crucial. Unless there are further damaging disclosures from judicial investigations into corruption cases, some of Mr González's political anxieties could start to ebb. A parliamentary vote next month on the annual State of the Nation debate is likely to confirm that Mr González still commands a relatively comfortable majority.



Prime Minister Felipe González; José María Aznar, leader of the Popular party





Meanwhile, Mr Solbes has outlined plans for further economic reform. The finance minister says the government will bring in deregulatory steps ranging from telecommunications liberalisation to increased competition in housing and insurance.

The financial markets remain nervous, however, about Mr González's capacity to steer through tough measures, above all more fiscal tightening, at a time of weakening political support. Underlying structural weaknesses in the economy are illustrated by three successive years of economic growth below the EU average.

An additional worry is that a rise in Spanish growth this year, forecast by the government at 2.8 per cent – just under the EU average – could undermine progress in reducing inflation, currently at an annual rate of 4.3 per cent. Inflationary pressures have been increased by higher import prices caused by the weakening of the peseta to 87 against the D-Mark, as opposed to 84.8 at the beginning of January. As a result of the latest slide and three formal peseta devaluations in the EU's exchange rate mechanism, the currency has fallen 26 per cent against the D-Mark since summer 1992.

Following emergency Bank of Spain action on January 4 to raise its benchmark money market interest rate to 8 per cent from 7.35 per cent, coupled with heavy foreign exchange intervention, the currency has stabilised during the past fortnight. Yet Mr Solbes' confidence that "the peseta crisis is over" may be premature.

The worldwide tightening of credit since early February 1994 has had a particularly severe effect in Spain, driving up yields on 10-year Spanish bonds by more than 4 percentage points during the past 12 months. Underlining the risk premium now demanded by foreign holders of Spanish assets, the yield gap compared with D-Mark bonds has more than doubled – from 2 to 4.5 percentage points – over the past year. Foreigners' concerns about the peseta were highlighted by a sharp 27 per cent fall in non-resident holdings of Spanish bonds in the week to January 20, from Pta3,523bn ($26bn) to Pta2,560bn, according to Bank of Spain figures.

Reflecting the higher rates the finance ministry needs to pay on newly issued peseta bonds, interest payments on Spain's public sector debt could jump Pta400bn or more this year, according to estimates from economists in London and Madrid.

This will add to Mr Solbes' difficulties in bringing down the budget deficit from an estimated 6.7 per cent of gross domestic product last year to 3 per cent in 1997, in line with the Maastricht targets for economic and monetary union.

On Friday, Mr Solbes unveiled to a cabinet meeting plans for an initial Pta150bn cut in public spending this year, to keep to his target for a 1995 deficit of 5.9 per cent.

However, he admits that the government will have to make bigger spending cuts next year. According to Salomon Bros, the US investment bank, Mr Solbes will be able to achieve his deficit targets only by a major reform of pensions, health and unemployment benefits, or a complete elimination of subsidies to state companies.

Mr González thus needs to make some hard decisions. If he plays safe on the political front and postpones tough economic action, he will probably be punished by the foreign exchanges. Yet if he proposes the budgetary cuts needed to retain financial market credibility, he will further lower his popularity and heighten the risk of eventually losing his parliamentary majority. Either route would probably lead to a general election before 1997.

The real lesson from Mexico's debacle

Will the sky fall in if Robert Rubin and Larry Summers of the US Treasury are prevented from countersigning $40bn in loans for Mexico? Alan Greenspan, the Federal Reserve chairman, apparently thinks so. So do the majority of opinion formers in the global financial community.

I rather sympathise with the misgivings of rank-and-file members of the US Congress who cannot understand why so massive a financial guarantee is required. Being unsophisticated, they regard the deal as an unfair reward for crassly imprudent policies in Mexico and see no justification for an implicit bailout for wealthy Wall Street firms and investors, especially when Congress is about to cut welfare for poor mothers.

Global finance supposedly requires special treatment because of "contagion effects" and "systemic risks". Mr Greenspan argued last week that, if only the health of the Mexican economy were at stake, he would not support the proposed bailout. The problem was that, if the fear of default by Mexico was not swiftly countered, investors would pull money out of other markets, threatening economic development in the rest of Latin America, in Asia and in heavily indebted industrial countries. Before the Treasury announcement, a "flight to quality" had begun to erode equity, bond and currency values throughout the world.

The argument is plausible, but not necessarily sound. Let us remember what happened. A medium-sized developing country ran up an imprudently large external deficit (8 per cent of gross domestic product) and accumulated excessive quantities of short-term dollar-linked debt. It devalued late in the day, having assured investors that no such action was conceivable. The ensuing scramble to withdraw funds set off financial shock waves, prompting a review of the riskiness of other investments. Is the global financial system really incapable of withstanding so routine a shock?

I think investors in capital markets are more resilient – and more rational – than timid policymakers suspect. But we shall never know for certain unless governments and international agencies resist the temptation to mount ambitious "rescue packages". Markets always overshoot: the immediate movements in share and bond prices are rarely a good guide to equilibrium values. The fundamental attraction of emerging markets is the prospect

MICHAEL PROWSE on AMERICA

of higher returns than are available in more mature economies. Mexico's debacle is a timely reminder that the price of high returns is high risk.

But problems arose with Mexico not because investors are fickle but because the Mexican authorities failed to pursue sound economic policies. Except in the very short run, the investment strategies of pension funds, banks and mutual funds cannot be guided by emotion rather than logic, because that would be a recipe for disastrously low returns. There is no logic in pulling money out of countries that do not make Mexico's mistakes, just because they are emerging markets. Money will not, therefore, be withdrawn on a sustained basis. Hence the contagion risks so feared by financial authorities are likely to be manageable without heavy-handed interventions such as the US bailout scheme.

Just as the contagion argument is questionable, so is the claim that disorder south of the Rio Grande will seriously threaten US prosperity. Mexico is too small economically to exert much impact – good or bad – on the US: its gross domestic product is only about 4 per cent of that of the US. The case for the guarantees is to ease the pain of economic adjustment in Mexico by enabling it to refinance large amounts of maturing short-term debt and thus ride out a liquidity crisis. If the economy is indeed "fundamentally sound", as the Treasury claims, there is only a small risk that the US would have to make good on its loan pledges – and this risk is supposedly offset by steep fees and a (dubious) claim on Mexican oil revenues.

Yet the deal is still fraught with difficulties. Congress and the Clinton administration are squabbling over the conditions they should set for the guarantees. There are plans to supervise everything from fiscal and monetary policy to wage settlements and industrial policy; some US politicians want Mexico to pledge new restraints on illegal emigration to the US.

The US is asking for trouble if it tries to impose this kind of conditionality on its southern neighbour, given the history of Mexican resentment of Yankee "imperialism". This role is better played by neutral multilateral agencies established for this purpose such as the International Monetary Fund, which last week tentatively agreed a loan of nearly $8bn to Mexico. It is absurd to argue that a body backed by virtually the entire world is too small to help one developing country.

The lesson from investors' sudden loss of confidence in Mexico is not that new forms of intervention are required, or that financial flows should be restricted, but that players in global markets (small and large) still do not properly grasp the risks inherent in market capitalism. The system offers unlimited potential prosperity, but only to those who are prudent and responsible. Dysfunctional behaviour – such as excessive public borrowing or low personal saving – tend, eventually, to be heavily penalised. The trouble with bailout schemes (for both countries and individuals) is that they reward irresponsible behaviour and thus increase the risk of future instability.

OBSERVER

Doing nicely, thank you

■ It is surely a trifle premature to be talking about a successor to Harvey Golub, the pugnacious chairman of American Express. Golub may have stemmed the card group's losses, but he has barely begun the business of returning the company to the growth patterns of yesteryear.

Nevertheless, the latest episode in the rapid rise of Kenneth Chenault has set tongues wagging. Could this 43-year-old former "Bainie" be American Express's next boss?

Chenault, who was named a vice-chairman and member of the executive committee last week, has been on board since 1981, when he joined Amex from management consultants Bain. Following closely in Golub's footsteps, he has run the company's US consumer cards business since 1990 and the entire travel-related services division since last summer.

Now, besides sitting on the top table, he assumes full responsibility for the American Express brand, and for all advertising. Seeing that the company is planning a wide array of new cards to win back market share, that places him firmly at the centre of the action in coming years.

If Chenault does eventually make it all the way to the top, he will be a rare bird indeed in the halls of corporate America. As a senior black executive, his race has already got him noticed – not least because he has risen so swiftly in what has traditionally been one of the country's most patrician companies.

Door too far

■ Zhu Rongji in jocular mood? China's normally taciturn economic tsar astonished bigwigs gracing this year's World Economic Forum in Davos with his light-hearted digs levelled at anything from Chinese cuisine to the American presidency.

Quizzed as to what he would do to improve Sino-US relations if he himself were in the White House, Zhu pointed out how American law prevented him from standing for election. Then, betraying possibly more than he intended about his own political ambitions at home, he mentioned that there were indeed those who predicted he would actually win – could he but run.

The bonhomie got a trifle out of hand, however, with the invitation to his 850-strong audience to make the trip to China. "If you have any problem, call me," he added expansively.

"But what's your telephone number?" Klaus Schwab, the WEF founder and president, wanted to know. "That's a secret," Zhu shot back. Nor were fax number or E-mail address forthcoming. "Please contact my secretary," was the advice. This created a degree of confusion among those who had heard so much about China's receptiveness to all forms of contact from the west.

Suitability

■ Time was when Davos delegates donned bulky sweaters and corduroys and sat around cosy fireplaces setting the world to rights. Today, virtually every man wears a dark business suit, and the women are correspondingly soberly attired. A determined pullover wearer himself, Klaus Schwab is powerless amid the besuited battalions. Perhaps he should just sit back and admire everyone looking as if they are doing something serious.

Name that agency

■ Well done all those who entered Observer's competition to rename the Saatchi & Saatchi advertising empire. Some of you ought to consider applying for a copywriting job.

Too many to mention offered variants on Snaatchi & Snaatchi, Scratchi & Bitchi, and Herro-Worship plc. A sprinkling suggested that, with the demise of the brothers, Ampersand plc gives a nod to the past, sums up the present, and after a period would be suitably anodyne.

An ex-Saatchi man who pleads for anonymity thought Great Scott! plc might sum up the mood of those who fell out with the brothers. Cleverest pun came from Jonathan Mapley: Scott Of The Ad Antics plc.

But winner of Observer's bottle of malt is E.G. Coleman, who went for PMCI plc. Bland enough to cause no offence, and suitably descriptive of the situation, it stands for Post Maurice and Charles International.

Fishy

■ The Königstein Italian eaterie, "Ciao Italy", is trying to turn a pfennig out of one of the upmarket Frankfurt suburb's more notorious former residents. A takeaway Dr Schneider Pizza, with smoked salmon and caviar, is offered to the locals at a nifty DM99. It remains unclear whether – à la PizzaExpress and the Venice in Peril Fund – a proportion of the proceeds will go towards paying off the DM5bn-odd of debts left behind by the fugitive German businessman.

The Financial Times

100 years ago

Channel Tunnel

The ordinary general meeting of the Channel Tunnel Company Ltd was held yesterday, Baron Emile D'Erlanger presiding.

The Tunnel was still very popular although it was not fashionable. The chairman wished the time had arrived when they would be asked to come to some practical decision, but he was sorry to say it had not arrived yet ... All he could recommend was a policy of patience. Their time would come, he was convinced.

50 years ago

US confidence in UK

New York: In an article entitled "How Broke is Britain", the United States Chamber of Commerce publication the National Business says that America "may well raise her eyebrows at any suggestion that Britain is impoverished or discouraged", citing figures and quotations of British leaders as evidence that "it is not bankrupt and intends to emerge from the war to become again the world's leading country in international trade".

FINANCIAL TIMES
Monday January 30 1995

Passenger terminal for new site will cost $1bn

Three-nation group wins Hong Kong airport deal

By Ian Hamilton Fazey in Manchester and Simon Holberton in Hong Kong

A consortium of five British, Chinese and Japanese construction companies has won the $1bn-plus contract to build the passenger terminal for Hong Kong's new airport. The project was claimed yesterday by Amec, one of the UK members, as the world's biggest ever for a single building.

The contract, worth HK$10.1bn ($1.3bn), is the largest part of the multi-billion-dollar airport project. Work will start immediately, with completion scheduled in 29 months for mid 1997, when Britain relinquishes sovereignty over Hong Kong to China.

The consortium, which calls itself the British Chinese Japanese Joint Venture, consists of Balfour Beatty and Amec International of the UK, China State Construction Engineering Corporation, Kumagai Gumi Hong Kong and Maeda Corporation of Japan. Each has a 20 per cent share.

They beat three other multinational consortia for the right to build a 1.2km structure, covering an area of 490,000 sq m, to a design by Sir Norman Foster, the British architect, Mott Connell and BAA, the privatised former British Airports Authority.

The new airport, on Chep Lap Kok island, will replace Hong Kong's present overcrowded Kai Tak airport in Kowloon. It will handle 5,000 people and 40 aircraft movements an hour, approaching the figures for London Heathrow.

Recent experience in advanced airport construction played a central role in winning the contract. The terminal's £50m of steel fabrication will be carried out by Watson Steel of Bolton, an Amec subsidiary responsible for structural steel fabrication at the new Kansai International Airport at Osaka. Watson also did the steelwork for Manchester Airport's £265m second terminal, an Amec-managed project, which opened last year.

Sir Alan Cockshaw, Amec chairman, said yesterday: "This contract represents the biggest challenge and greatest opportunity in airports worldwide over the foreseeable future."

Modern airport terminals are high-technology structures with complex mechanical, electrical, energy and electronic systems, requiring hundreds of thousands of interrelated engineering drawings and advanced project management skills during construction.

Although most of the labour for Hong Kong will be recruited locally, Balfour Beatty – a BICC subsidiary – and Amec will be contributing management, expert knowledge and specialised trade skills from the UK.

Key personnel will transfer to Hong Kong to work on the project.

At the weekend, Hong Kong's Provisional Airport Authority also let a HK$1.88bn contract for the building services in the airport terminal to Ellis Mechanical Services of the UK, Aster Associate Termoimpianti of Italy and Hsin Chong Aster Building Services of Hong Kong.

QE2 cruise passengers take first step towards lawsuit

By William Lewis in London

A group of passengers who travelled on the Queen Elizabeth II's ill-fated Christmas cruise from Southampton to the US have taken the first step in their intended legal action against Cunard, the ship's owner.

A claim letter has been sent to Cunard's offices in New York and Southampton by New York lawyers Kreindler & Kreindler ahead of the filing of a class action suit, probably this week.

"Each passenger has suffered damages of from $50,000 to $100,000," the letter states. Passengers are demanding a full fare refund plus damages for mental stress, physical injuries and impaired health.

The list of grievances includes:

- Exposure to asbestos dust and other noxious fumes.
- Fear from unsafe practices, including "blocked passageways to the deck areas in case of a need to evacuate the vessel, or to reach deck areas in an emergency".
- Lack of proper water, heat and air conditioning as well as lack of agreed accommodation.

"These health problems led to undue stress and respiratory problems, rashes. Several passengers actually suffered physical injuries: tripping over improper carpeting, exploding toilets and other hazards."

The law firm refused to give details of how many passengers are supporting the action so far, but co-counsel Professor Christine Hall, a law professor at Nova Southeastern University in Fort Lauderdale, Florida, who was a passenger on the QE2 cruise, said this month that the total claim might amount to £40m ($62m).

Other passengers estimate the so-called "US hard core" to total 40 people. Mr Paul Edelman, a lawyer at Kreindler & Kreindler, also states in the letter that the firm will be making a class action claim against Cunard.

This month Trafalgar House, the industrial conglomerate that owns the ship through its subsidiary Cunard, disclosed that it had offered total compensation of £7.5m to all passengers affected by the vessel's problems.

The disclosure was made in Trafalgar's offer document for Northern Electric, the UK regional electricity company for which it has launched a bid.

"Some passengers are reported to be considering legal action, but it is not possible at the present time to determine the likelihood, nor to predict the outcome, of any possible litigation," the document said, "although, on the basis of current information, it is not expected to have a material effect on the group."

Last week, Trafalgar said that improved terms offered to about 400 passengers who travelled from Southampton to the US "could be dealt with within the £7.5m we have set aside".

Trafalgar is offering passengers a full refund for their trip as well as free tickets for a cruise during 1995, on any Cunard vessel, to the same value as the tickets they purchased for the QE2 cruise.

Wellcome acts to counter Glaxo offer

Continued from Page 1

holders. The trust is then obliged to accept the offer unless a higher bid is received within 21 days. Glaxo is not thought likely to send the offer out this week.

London's financial community is looking for pre-tax profits of £720m ($1.1bn) and earnings of about 50p per share, compared with £667m and 46.4p in 1993, when turnover was £2.04bn.

Wellcome is expected to argue that other recent bidders in the pharmaceuticals industry have paid relatively higher prices than Glaxo is offering.

Last year, American Home Products acquired American Cyanamid for $10bn, equivalent to more than six times its revenues, while Roche bought Syntex for $5.3bn, more than four times revenues. The Glaxo bid is estimated at less than four times Wellcome's turnover.

Glaxo's offer represents a premium of just under 50 per cent to the price before the bid.

French to act over profits from cash deposits

By Andrew Jack in Paris

French retail banks are poised this week to remove a regulation dating from the Middle Ages that has allowed them to make substantial profits on cash deposited or withdrawn by customers.

The Association of French Banks is expected to recommend today at its annual meeting that banks must immediately credit clients' deposits and debit withdrawals made in cash.

The advice, already approved by the banks and which could come into effect tomorrow, will cost the banks up to an estimated FFr600m ($113m) a year.

At present, under the *dates de valeur* or valuation dates system, many banks debit a client's account two days earlier than the date that the withdrawal request was made, and credit an account two days after any deposit.

This gives them a four-day "float" of money and allows them to invest the sums involved and earn interest, which they keep rather than handing on to customers.

The banks had maintained they needed this delay to allow the money to be checked and transferred, but modern electronic clearing systems have made this argument difficult to justify.

The existing delay is partly the legacy of a medieval system which argued that calculations using a full year of 365.25 days were extremely complicated and so allowed banks to make assessments of interest payments based on a year consisting of 360 days.

The the court of appeal in Paris ruled in January in a case between Crédit du Nord and a client company that this system was no longer justifiable in the computer age.

A combination of the court judgment, growing international competition and increasing pressure from French consumer groups has finally persuaded the banks to act. They met a few weeks ago to draw up proposals for change.

A few banks, including Société Générale and the post office, will not be affected as they already offer immediate credit on cash deposits, but most will be forced to change. Other banks have argued that the current system compensates them for many other services for which they do not charge customers and which operate substantially below cost.

The total four-day float permitted under the current system is estimated to be worth about FFr6bn a year, of which only about 10 per cent derives from deposits and withdrawals in cash. The banks have shown no indication yet of shifting to immediate deposits and withdrawals for other forms of money, such as cheques.

THE LEX COLUMN

German utilities in focus

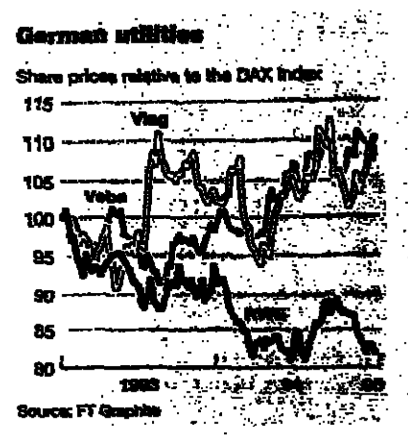
By moving into telecoms, German utilities are for once making a smart diversification. They may know little about the sector but such is Deutsche Telekom's inefficiency that even companies without much expertise in the industry should make it possible to make a decent return. Moreover, Veba and Viag have sensibly allied themselves with foreign partners – Cable and Wireless and British Telecom – who do know the industry.

However, these recent moves do not disguise the fact that the big three utilities – Veba, Viag and RWE – have over decades developed into sprawling conglomerates. They have used the large and stable cash-flows from electricity to finance expansion into other areas, although little of the cash found its way to shareholders as dividends. But strong balance sheets and high cash generation, combined with steps to rationalise their business portfolios, have made the three companies attractive to international investors. At Veba, for example, 40 per cent of the equity is now held outside Germany.

While shares in both Veba and Viag have outperformed the German market in the past two years, RWE has underperformed, perhaps because a cash pile of DM16bn ($10.4bn) cushions the group from the need to take restructuring too seriously. Of the other two, Veba is doing most for shareholders. It takes shareholder value seriously: the restructuring of its Hüls chemicals subsidiary is, for example, more comprehensive than the rationalisation undertaken by other large German chemicals groups. It is also committed to paying progressively higher dividends.

But even it could do more – it should consider splitting itself up. Then again, this is a measure which C&W, its new UK partner, is unwilling to contemplate.

German utilities



Source: FT Graphite

Italian takeovers

Credito Italiano's hostile bid for Credito Romagnolo (Rolo) closes on Friday, offering investors a 61 per cent premium over the pre-bid price. Nevertheless, shareholders may regard the final offer with bitterness, since the regulator that protects them from corporate abuse has also protected them from a higher offer.

The Rolo takeover battle has been the first real test of Italy's takeover laws since they were set up in 1992. And they have not come up trumps in terms of transparency or equity. A basic requirement for any regulatory framework must be the ability of market practitioners to understand it. Cariplo, Rolo's white knight, got legal advice that a counter-bidder could raise its offer. Italy's regulatory watchdog, Consob, disagreed, but only after substantial delay. Consob's decision was based on the theory that a spiralling auction could destabilise the target company. Yet its conclusion provides a clear advantage for a hostile bidder over a white knight, since the opening bidder is guaranteed the last say. Restricting the time-frame of a bid would appear a more sensible means of controlling excesses while ensuring that investors receive the highest value for their shares.

Italy is about to relaunch a privatisation programme, and would benefit from access to overseas investment funds. The regulatory flaws demonstrated in this bid are unlikely to encourage investors, unless they become a catalyst for change.

Cable television

The US cable television industry has been swept up in a whirlwind of billion-dollar deals. Last week alone saw two: Time Warner's $2.2bn purchase of Houston Industries' cable properties; and a $2.3bn agreement by an associate of TCI to buy Viacom's cable interests. The logic of consolidation is powerful: larger groups can command lower prices for programmes and equipment, while forming the industry into contiguous clusters allows savings in constructing and maintaining networks. Reshaping is also dictated by the need to be fit for the coming battle on the "superhighway" when cable companies will be free to offer telephone services and telecoms groups able to pump television programmes down their lines.

It can only be a matter of time before such consolidation crosses the Atlantic. In one respect, the need is greater: competition with British Telecom is already a reality.

Though some rationalisation has occured, the industry is still fragmented. But TeleWest is now quoted in London, three other operators have quotes in the US and a further batch is preparing to float in London this year. The ability to pay in shares rather than cash should make consolidation easier to finance.

UK bank bids

Britain's retail and investment banking sectors may be ripe for restructuring. But the stories going the rounds are odd. In retail banking, technological advances and deregulation are revealing just how overbanked the UK, along with most of the rest of the world, is. So there is much to be said for rationalisation – with mergers among building societies or between banks and societies the best solution. That, indeed, is still TSB's strategy, though it is finding it hard to entice a society into its arms. But there is little logic in a foreign bank such as France's BNP acquiring TSB, as last week's rumours had it. The record of cross-border deals in retail banking is poor and, anyway, they do not offer the scope for cost-cutting.

Similarly, both Kleinwort Benson and S.G. Warburg might fit well within a larger investment banking group. Neither will be able to fulfil its global ambitions by remaining independent. But it is hard to see the logic of a continental European bank such as Dresdner buying Kleinwort, the rumour that sent its share price yo-yoing last week. What the continental banks lack most is what Kleinwort and Warburg also lack most – a strong presence in the US.

If poor commercial logic were not enough of a barrier to such deals, banks' need to fulfil stringent capital adequacy limits set by their regulators places another obstacle. To acquire Kleinwort or Warburg would involve paying roughly twice net assets; in TSB's case, the multiple would be higher.

None of this, of course, may be enough to deter a potential bidder; bids have been mounted with less logic in the past. But any bidder would have to be alive to the prospect of having to write off large amounts of goodwill, seriously damaging all but the strongest balance sheets.

FT WEATHER GUIDE

Europe today

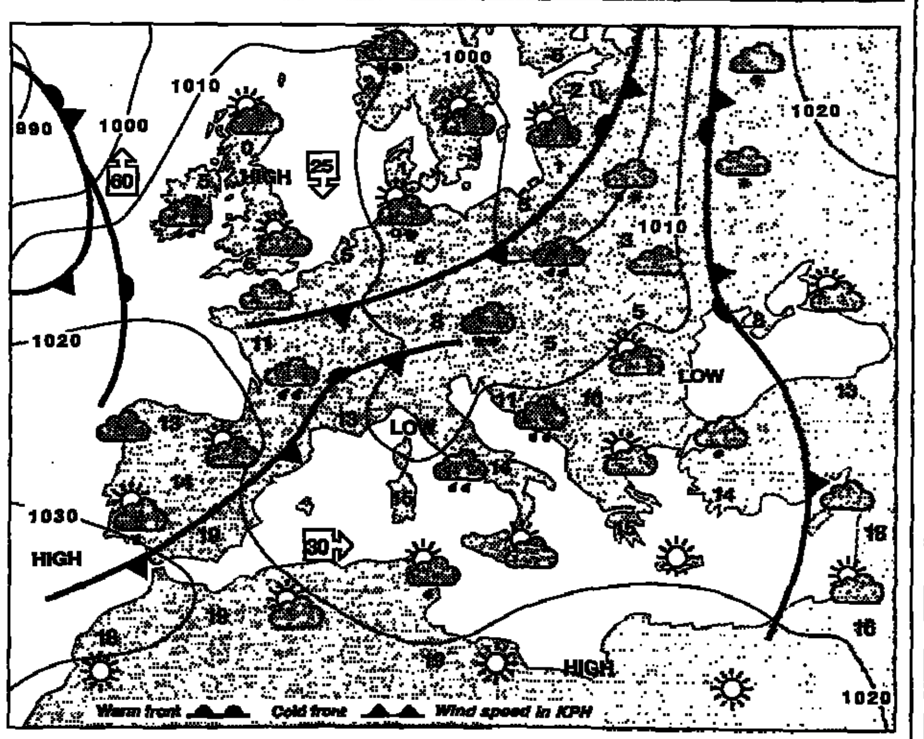
There will be a temporary break in the steady south-westerly flow which has been dominating western Europe during the last couple of days. A ridge of high pressure over the British Isles will bring tranquil conditions to England, the Benelux and Denmark, although some wintry showers will occur along the coast of the Low Countries.

Spain, Portugal and the southern Balkans will have a mixture of cloud and sun. Rain is expected, however, over south-western France and a large part of Italy.

The western Balkans and north-western Europe will be overcast with rain at times, while western Scandinavia will have snow. Snow is also expected in the Baltic states, spreading to European Russia. Poland will have heavy rain.

Five-day forecast

High pressure will move quickly towards Russia on Tuesday while strengthening. Consequently, the south-westerly air flow over western Europe will resume, bringing unsettled weather. Conditions will not improve in the south and south-east of Europe as a series of low pressure areas crosses the region. However, south-western Europe will become settled again later in the week.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	23
Accra	fair	32
Algiers	fair	18
Amsterdam	shower	5
Athens	fair	16
Atlanta	fair	7
B. Aires	sun	28
B.ham	fair	4
Bangkok	fair	34
Barcelona	fair	16
Beijing	fair	3
Belfast	rain	4
Belgrade	rain	8
Berlin	shower	6
Bermuda	rain	21
Bogota	fair	19
Bombay	sun	32
Brussels	cloudy	7
Budapest	cloudy	5
C.hagen	fair	0
Cairo	fair	17
Cape Town	fair	26
Caracas	fair	28
Cardiff	fair	8
Casablanca	fair	18
Chicago	cloudy	1
Cologne	rain	7
Dakar	fair	25
Dallas	sun	12
Delhi	sun	23
Dubai	sun	23
Dublin	rain	6
Dubrovnik	rain	13
Edinburgh	cloudy	2
Faro	fair	18
Frankfurt	rain	7
Geneva	rain	9
Gibraltar	fair	19
Glasgow	sleet	2
Hamburg	fair	3
Helsinki	fair	-5
Hong Kong	fair	14
Honolulu	fair	27
Istanbul	shower	9
Jakarta	thund	30
Jersey	shower	8
Karachi	fair	27
Kuwait	sun	24
L. Angeles	fair	23
Las Palmas	sun	22
Lima	fair	27
Lisbon	fair	18
London	cloudy	6
Lux.bourg	drzzl	6
Lyon	rain	10
Madeira	sun	19
Madrid	fair	14
Majorca	fair	18
Malta	fair	18
Manchester	fair	3
Manila	fair	31
Melbourne	fair	24
Mexico City	sun	27
Miami	thund	24
Milan	shower	7
Montreal	cloudy	-7
Moscow	drzzl	2
Munich	rain	7
Nairobi	fair	28
Naples	rain	14
Nassau	thund	27
New York	cloudy	2
Nice	fair	13
Nicosia	fair	16
Oslo	fair	-3
Paris	cloudy	9
Perth	fair	23
Prague	rain	6
Rangoon	sun	33
Reykjavik	snow	0
Rio	cloudy	35
Rome	rain	14
S. Frsco	cloudy	16
Seoul	fair	-3
Singapore	cloudy	31
Stockholm	fair	-5
Strasbourg	rain	8
Sydney	fair	31
Tangier	fair	17
Tel Aviv	fair	19
Tokyo	fair	7
Toronto	fair	0
Vancouver	rain	10
Venice	cloudy	8
Vienna	cloudy	7
Warsaw	rain	7
Washington	snow	4
Wellington	shower	22
Winnipeg	cloudy	1
Zurich	rain	7

FINANCIAL TIMES
COMPANIES & MARKETS

Monday January 30 1995

MARKETS THIS WEEK

ROBERT CHOTE:
ECONOMIC NOTEBOOK
For 25 years Britain's relatively poor economic performance has been blamed largely on an inflexible labour market. So why is inflation now barely stirring when unemployment is falling at near record speed? Page 20

PHILIP COGGAN:
GLOBAL INVESTOR
A bond market collapse, a Mexican peso devaluation, a devastating Japanese earthquake and rising US short term interest rates; US private investors have had plenty of confidence-sapping events to absorb over the past year. Page 20

BONDS:
Japanese bond market investors have remained remarkably sanguine following the Kobe earthquake, in spite of the sharp sell-off on the Tokyo stock market and warnings by business leaders who believe some of the initial damage estimates were too low. Page 22

EQUITIES:
London – The market has gained barely 1 per cent over a week which has brought the prospect of the biggest corporate deal in history. New York – When everyone is almost absolutely sure something will probably happen, that is when they are most likely to be wrong – especially when one is speaking of the Federal Reserve. Page 21

EMERGING MARKETS:
For decades South African stockbrokers have sought in vain to remove the automatic equation between the Johannesburg stock exchange and political risk in the eyes of international investors. Just 10 days ago, however, that linkage seemed, once again, to be more than justified. Page 21

CURRENCIES:
Currency markets look set for an interesting week. The central banks in the US, Germany and the UK are all meeting to decide on interest rate policy, the January employment report in the US will be released on Friday, and France has joined the list of European countries whose currency is under pressure. Page 21

COMMODITIES:
The annual Pulp and Paper Producers' Conference beginning today in Montreal is likely to attract more than the usual amount of international interest following the steep rise in prices for the industry's products that has shocked consumers over the past year. Page 20

UK COMPANIES:
Sir Christopher Bland, the new chairman of NFC, admitted to angry shareholders at the transport and logistics group's AGM in Harrogate on Saturday that the company had made mistakes in the past year. Page 18

INTERNATIONAL COMPANIES:
Sony's European operations are expected to register double-digit growth this year due to strong sales of components and peripheral equipment, the company said. Page 19

STATISTICS

China may permit more banks

By Tony Walker in Beijing

China is closer towards allowing foreign banks to establish branches in Beijing among 10 cities that will soon be declared open financial centres under a State Council decree, according to a People's Bank official.

Mr Di Weiping, vice-director in charge of foreign financial institutions, said the government would gradually increase numbers of new foreign financial institutions permitted including bank branches, insurance companies and investment banks.

But he also warned that approval would only be forthcoming for "small batches" pending a strengthening of the central bank's supervisory capability.

The 10 new cities to be opened to foreign banks include, apart from Beijing, Shenyang, Shijiazhuang, Xian, Hefei, Hangzhou, Suzhou, Wuhan, Chongqing and Chengdu. Coastal cities such as Shanghai, Tianjin and Guangzhou are already open. In total, 23 Chinese cities will be open to foreign financial institutions after the new decree.

Mr Di told the Business Weekly newspaper that the state had approved 16 new foreign bank branches in 1994 in addition an insurance company branch.

By the end of last year, 101 foreign-funded banks, banking branches and finance companies had begun operations in China, he reported. Total assets had reached $11.8bn, 55.6 per cent higher than the previous year.

Outstanding loans grew by 82 per cent to reach $7.5bn at the end of 1994, the bulk of which had gone to foreign-funded joint ventures. Foreign financial institutions had made net profits of $92.6m last year.

Mr Di did not say when branch licences would be granted for Beijing – the main prize for foreign banks in the new period. "In principle, we will only approve large foreign financial institutions which have good business performance and have contributed to China's economic development," he said.

Western bankers say that new foreign branches in Beijing will be restricted to "three or four" in the first instance. These are most likely to be divided between continental European, American, Japanese and British-based institutions such as the Hong Kong and Shanghai Banking Corporation.

Sumitomo's Y280bn loss may be the bank's best birthday present

Spotting the end of the bad debt era

By Gerard Baker in Tokyo

It seemed an unusual way to celebrate a birthday. Late on Friday, Sumitomo Bank, the world's largest lender, announced that it would become the first leading Japanese bank to declare a loss.

One of its reasons, said the bank's senior managing director, Mr Yoshifumi Nishikawa, was a desire to mark its one hundredth anniversary this November. Although investors might have thought of better ways to mark the centenary, the bank's move may well prove to be the best birthday present they ever had.

Sumitomo waited until well after the Tokyo markets had closed to announce that it expected a loss, before and after tax, of Y280bn ($2.8bn) in the current financial year ending in March, against the Y60bn profit it had forecast in November.

The slide into deficit is the result of a decision to accelerate bad debt write-offs, from Y500bn to Y800bn – a policy decision not taken by any other Japanese bank – increasing the pace of loan write-offs so fast as to push it into the red. "At last a Japanese bank has taken an aggressive approach to its bad debt problem, and stopped trying to hide them," said Mr J. Brian Waterhouse, banking analyst at James Capel Pacific in Tokyo.

Japanese banks lent with abandon in the boom years of the 1980s, most of it secured on property. As land prices multiplied in the late 1980s, the lending became more frantic. The consequence was a hard landing of unique proportions when the boom exploded in the early 1990s.

The method of dealing with these bad loans was characteristically Japanese. Unlike American banks, which dealt with their loan loss problems speedily taking large losses in 1989-1991, Japanese banks pursued a gradualist approach – provisions for bad loans were allowed to cut profits but no bank would ever declare a loss. They were able to pull this off by two means – limiting the amount of provisioning, and offsetting much of it with sales from their own equity holdings.

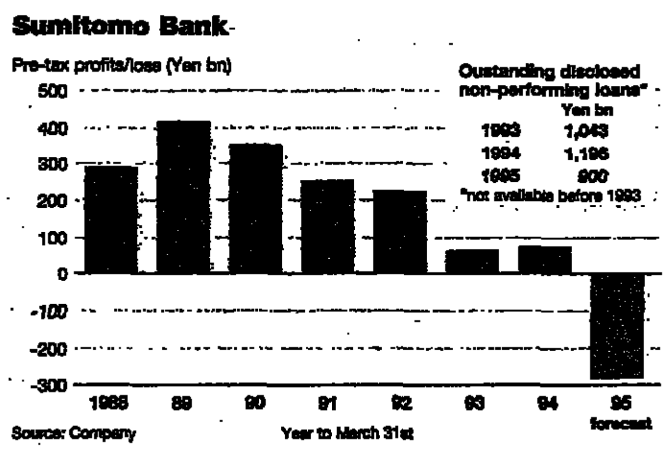
There were several reasons for their reluctance to follow the US model and act more quickly. Perhaps the most important was the attitude of the Ministry of Finance (MoF). The MoF was well aware of Japanese investors' sensitivity to corporate performance and wished to avoid a financial crisis of confidence.

But banks in any case needed little persuasion by the MoF to avoid the unthinkable. In Japan, a corporate loss usually has to be paid for with the heads of senior management. As long as the bosses could keep the provisioning limited and the offsetting equity sales high – the appearance at least of financial health – their jobs were safe.

And last year, the gradual approach started to be vindicated. Bad loans at the leading banks peaked in 1993 and fell slightly last year. So why did Sumitomo act now?

The MoF is now much more relaxed about seeing a bank take a loss. Economic recovery is gradually bringing a return of investor confidence and the ministry thinks that banks and the market as a whole could withstand a shock.

Secondly, Sumitomo's senior executives may feel that they will not have to walk the plank. Many



Source: Company

of the bank's bad loans were made to Itoman Corporation, a scandal-tainted textile trader, in the late 1980s. In 1992, the bank's chairman resigned taking the responsibility for the losses.

But most importantly, the bank seems to have decided that the gradualist approach was taking too much of a toll on its real health, and has decided to break free from that debilitating policy. Sumitomo's move cuts its outstanding non-performing loans to Y800bn. At 2.6 per cent of total loans that figure is one of the lowest of any of the leading banks. That may hit the bank's profits this year, but it sets it up well for the future. At the previous, slow rate of write-offs, Japanese banks were expected to take between three and seven years to remove their problem loans – Sumitomo is now within sight of the end of the bad debt era.

And the sale of equities to cushion the blow of provisioning had its own costs. Banks generally bought back those equities at market prices in order to preserve the system of cross-shareholdings that characterise Japnese corporate relationships. But that meant the yield on those equities was dwindling rapidly – below the bank's cost of funds. Sumitomo said on Friday it will now be able to remove its remaining bad debts without recourse to stock sales.

This one bound does not of course, set the bank free. It will still have a substantial pile of bad loans – Y800bn at the end of this financial year, probably much more than that, in fact, since Japanese banks' figures understate the true total.

Furthermore the after-tax loss this year will damage the bank's capital strength. It will reduce its risk-based capital adequacy ratio to just 8.6 per cent – one of the lowest among the notoriously weakly capitalised Japanese banks, and only just above Bank for International Settlements approved minima. That capital constraint will probably prevent other banks from following Sumitomo's actions in the near future.

But the significance of the move should not be lost. Sumitomo is the first bank to take a positive step towards clearing away the detritus of the collapse of Japan's bubble economy. Perhaps the birthday celebrations will be justified after all. The bank's bold move means that it can start to look forward to the next 100 years with something approaching enthusiasm.

Saatchi top job turned down by former Reed chief

By Tim Burt in London

Saatchi & Saatchi, the troubled advertising group, has been forced to revise its shortlist of possible chairmen to replace Mr Maurice Saatchi following the withdrawal of one of the leading contenders.

The company is understood to have told Spencer Stuart, the headhunting firm, to step up its search for candidates after Mr Peter Davis – former co-chairman of Reed Elsevier, the Anglo-Dutch publishing and information group – let it be known he was not interested in the job.

The setback comes as Saatchi prepares for the first round of what is likely to be a protracted legal battle with former senior executives, who left the company this month to join a new agency formed by Mr Maurice Saatchi.

The writs allege that Mr Saatchi and the executives conspired to damage the business. A New York court is this week expected to decide whether proceedings can go ahead against Mr Bill Muirhead, former head of the Saatchi agency in the US.

In London a February 8 date has been set for the first hearing in the High Court of cases involving other senior executives.

Publicity over the legal action and the departure of Mr Maurice Saatchi is thought to have influenced Mr Davis's decision to reject the company's overtures.

Close associates of Mr Davis, who resigned from Reed Elsevier last June following a clash over management styles, said he was more committed to other projects. He was regarded as a possible front-runner for the job, given his media experience.

"Peter knows Saatchis well and would probably have jumped at it in happier circumstances," said one associate.

Mr Davis had considerable dealings with Saatchi & Saatchi during the 1980s when he was assistant managing director of J. Sainsbury, the UK's largest grocery retailer.

At the time, Sainsbury was one of the agency's largest clients.

Meanwhile, Harris Associates, the Chicago-based fund management group, which played a substantial role in ousting Mr Maurice Saatchi, has taken on Goldman Sachs to help it raise money by attracting an outside investor.

PosTel restructures European portfolio

By Norma Cohen in London

PosTel, the fund management company which invests the assets of the UK's largest pension fund, has restructured its European equities portfolio in one of the largest single programme trades in recent years.

The restructuring, which was conducted by Morgan Stanley, involved about $870m in securities. It is intended to help PosTel, which manages the pension fund of British Telecom and the Post Office, carry out a derivatives-based strategy which consultants say is unique in the UK.

The restructuring will bring in-house the bulk of the portfolio which had formerly been managed externally by Schroder Investment Management. Schroder will retain a portion of the portfolio which it will manage "actively".

The largest part of the portfolio will be managed internally by PosTel on an indexed basis, in which the composition of the stocks mimics those of a key European equities index.

"Typically, our pattern is to have a large core portfolio which is passively managed," PosTel explained. "And we like the active portion to be truly active, taking a risk." The European equities portfolio had been almost entirely actively managed.

Under PosTel's unusual investment strategy, an in-house team of active managers picks and chooses stocks from the core portfolio, which holds all of the stocks in the index. The complex procedure allows the team to "sell" shares, which it thinks will underperform the equity market, while "buying" those which it expects to outperform.

For the UK, PosTel has a passive core portfolio of about £11.5bn of UK equities and about £1bn of European equities as well as about £1bn of US equities and about £500m of Japanese equities.

This week: Company news

US COMPANIES

GM accelerates after worrying third-quarter

The US reporting season continues, with full year figures expected from General Motors and Ford. Fewer big names are officially due this week than last; however, many US companies give no advance notice of their figures.

TODAY: Two of General Motors' giant subsidiaries report full year figures: GM Hughes, the electronics and defence company, and Electronic Data Systems (EDS), the computer systems group. Hughes' auto components business should be booming, and the defence industry is proving remarkably robust in the face of government cuts. A dip in earnings per share is expected for the final quarter, but the full year should show growth of around 12 per cent.

The unstoppable rise of EDS seems set to continue, with final quarter earnings up perhaps 20 per cent at $0.50 per share. The market will be alert to any suggestion that the company is to be spun off.

Today also brings figures from US Steel, where full year earnings are expected to top $2 per share compared with losses the year before.

TOMORROW: The heaviest day of the week, with results from General Motors itself, RJR Nabisco and a clutch of imaging companies.

GM is expected to show a sharp rebound from the awful third quarter, which was due largely to delays in launching new models. Estimates for the quarter range widely from around $1.10 to $1.55 per share, compared with $1.28 last time.

Last week's very strong figures from Philip Morris suggest a similar recovery in US tobacco from RJR Nabisco, with quarterly earnings expected at about $0.12 per share against $0.01 the previous year. There will also be interest in the performance of the Nabisco food business, especially since RJR has recently made moves towards hiving it off.

The imaging companies – Eastman Kodak, Xerox and Polaroid – should offer a mixed picture. Kodak and Polaroid could do little more than break even in the quarter: Polaroid is experiencing tough trading, while Kodak, in its first full year at the hands of energetic new chairman George Fisher, is still in a tumultuous period of restructuring. Xerox, by contrast, is going strong, shown by its recent decision to take further control of Rank Xerox. Expect fourth quarter earnings of about $2.40 – a rise of more than 20 per cent – making an increase of more than 30 per cent for the year.

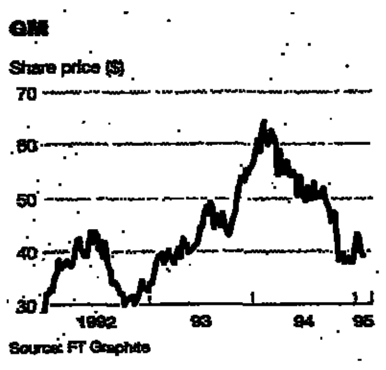
Other results tomorrow should include the long-distance phone company Sprint. The expectation is for a healthy 30 per cent rise in quarterly earnings, to around $0.66 per share. However, there is room for caution: Sprint has been embroiled in marketing wars in the US long-distance phone market, and the signs are that AT&T has come off best.

Tomorrow should also bring full year figures from the Washington Post newspaper and magazine empire.

WEDNESDAY: Ford's figures should show continued progress, with earnings roughly doubled for the quarter at around $1.25 per share. Like GM, Ford will probably report a record year. The big question for both companies will be how much assurance they can offer about the year ahead.

A good quarter and year are also expected from Avon, the door-to-door beauty people.

The rest of the week should be quiet, barring results from publishing groups Knight Ridder and Pulitzer on Friday.



Source: FT Graphite

OTHER COMPANIES

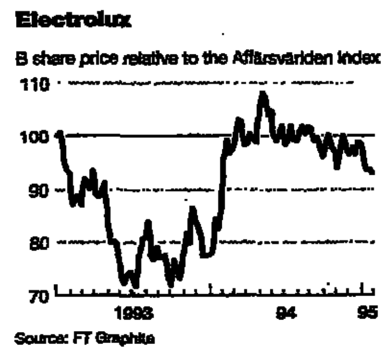
Electrolux set to spin profits into orbit

Electrolux will launch one of the best reporting seasons in Swedish corporate history when it announces its 1994 figures tomorrow. The world's leading producer of household appliances is expected to report profits of around SKr6bn ($810m). The huge jump from SKr1.55bn in 1993 will be inflated by nearly SKr3bn of capital gains, but it will also reflect cost-cutting and improved market conditions in the US and Europe. The dividend, which was halved two years ago, is likely to be increased.

■ Fyffes: The disruption to Caribbean banana production, caused by Storm Debbie in the last quarter of 1994, is not expected to have made an impact on the Dublin-based fruit importer, when it reports its figures for the year ended October 1994 on Thursday. Brokers in Dublin expect the results to be in line with forecasts with pre-tax profits at about I£35m ($55m), up from I£31.8m in 1993, thereby maintaining its record of healthy trading performance ahead of its peers.

■ Paribas: The French bank, is expected to report profits of FFr1.8bn-2bn ($343m-$381m) for the financial year to December 31 1994 on Wednesday afternoon.

Some analysts are still expecting the bank to be forced to make additional provisions on doubtful debts such as property, in line with its competitors. In addition, they are expecting that there may be a negative impact from the decline in activity in the capital markets during the fourth quarter of the year.



Source: FT Graphite

■ Fiat: The Italian automotive and industrial group, is expected to release the first official news on its 1994 results on Thursday with the annual "letter to shareholders" from chairman Gianni Agnelli. The company will confirm that it returned to profit last year after the record losses of 1993. Analysts expect the group eventually to report net consolidated profits of around L500bn ($312m).

■ BAA: When reporting its results for the first nine months, the UK airports operator is expected today to announce pre-tax profits of between £62m and £65m ($101m) for the third quarter. Traffic growth has been strong but retail spending has been depressed by refurbishment programmes.

Companies in this issue

'We made mistakes' NFC chief tells shareholders

By Geoff Dyer

Sir Christopher Bland, the new chairman of NFC, admitted to angry shareholders at the transport and logistics group's AGM in Harrogate on Saturday that the company had made mistakes in the past year.

In his first public appearance since taking over from Mr James Watson, who retired in December, he said: "Some of our acquisitions have not been that clever in the short term."

The former chairman of LWT said the price for the £263m rights issue in December 1993 had been "toppy". The pressure on margins experienced last year had not diminished.

The 300 shareholders who braved the snow and the 10.30am start, over half of whom were retired NFC staff, vented their frustration at seeing the share price fall from a high of 292p last year to 165p on Friday. Mr Harold Clark, a former national accounts manager at Lynx Express, NFC's parcels business, was loudly applauded when he said there was "little to show for the cash raised" in the rights issue and accused management of a "dogmatic approach to the core businesses".

Sir Christopher told the AGM that he would maintain the strategy of focusing on logistics and moving services adopted by Mr Peter Sherlock, the former Bass director who resigned as chief executive of NFC in August. But he added: "We are not building on our strengths and translating them into superior profits."

In a veiled reference to Mr Sherlock, who hired McKinsey to help with his strategic review, Sir Christopher said: "We need to become less dependent on consultants." He added that the group's organisational structure needed to be "de-layered and simplified".

Sir Christopher would not say when a new chief executive would be appointed, or whether it would be an internal or external candidate.

BBA makes $40m disposal

By David Blackwell

BBA Group, the engineering and motor components company, has continued its disposal programme with the sale for $40m (£26m) of Scandura North America, the conveyor belt manufacturer.

Mr Roberto Quarta, the chief executive charged with overhauling BBA, said yesterday that the deal was part and parcel of the £76.8m rationalisation programme announced last year. It brings the total raised from disposals in the past 12 months to £130m.

The buyer is Harvest Partners, a New York-based financial group, through its affiliated company Scandura Acquisition Corporation. The consideration comprises $35m cash and $5m in 7.75 per cent senior subordinated debt from the affiliate.

Scandura makes belts for the mining sector and other industries. It had sales of $65.4m and operating profits of $1.3m in 1993, and net assets at the end of the year of $31.7m.

The sale will cut BBA's pro forma gearing at the end of June 1994 from 17.9 per cent to 12.5 per cent.

Earlier this month BBA made its first acquisition under Mr Quarta, paying £11m cash for Terram, the textiles subsidiary of Exxon Chemical. The deal underscored the group's determination to make bolt-on acquisitions where it could guarantee high margins and strong growth prospects, Mr Quartasaid yesterday.

Mr Quarta said the latest disposal did not mark the end of the programme, although he would give no indication of how many companies remained up for sale.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Cadbury Schweppes (UK)	Dr Pepper/7-Up (US)	Soft drinks	£1.6bn	A challenging milestone
Veba (Germany)	Cable & Wireless (UK)	Telecoms	£800m	Stake starts strategic alliance
Sodexho (France)	Gardner Merchant (UK)	Catering	£730m	Creates sector's biggest
Glaxo (UK)	Affymax (US)	Healthcare	£341m	Glaxo's second bid of the week
Semi-Tech Global (HK)	Akai Electric (Japan)	Consumer electronics	£201m	A touch of rationalisation
Govett & Co (UK)	Duff & Phelps (US)	Fund management	£160m	Govett seeks critical mass
Siemens (Germany)	Pyramid Technology (US)	Computer services	£133m	Deal now agreed
Laidlaw (Canada)	Mayflower Group (US)	Transport	£100m	Excludes moving/storage
Groupama (France)	Lombard Insurance (UK)	Insurance	£83m	Consolidation continues
C-Tec Corp (US)	Megacable (Mexico)	Cable TV	£54m	Devaluation cuts price

Hickson and Unilever fail to negotiate settlement

By Tim Burt

Hickson International, the speciality chemicals company, has failed to reach agreement with Unilever on compensation following the Anglo-Dutch group's decision to stop buying the controversial manganese catalyst used in Persil Power and other detergents.

The company has been seeking a settlement from Lever Brothers, Unilever's UK detergents subsidiary, since it decided last month to wind down stocks of the catalyst.

Initial negotiations, however, have ended without a deal.

"There were differences of opinion over how the contract should be interpreted," according to a source involved in the talks.

Lever Brothers, which had a take-or-pay contract lasting until mid-1995, said further talks had been arranged and that it was confident of reaching a resolution.

Any payment by the detergents group would help Hickson offset lost production at its PharmaChem plant in Ireland, which relied on the manganese catalyst for half its output.

In a full year, the catalyst was expected to contribute £8m to Hickson's profits. But last month the company warned that profits would be undermined by Lever Brothers' action.

The detergents company halted purchases after reformulating its products last year, which led to an 80 per cent cut in the amount of catalyst used.

That decision has been attributed partly to consumer criticism and claims by Procter & Gamble, Unilever's US rival, that the catalyst left some fabrics holed and faded.

Hopes that Unilever would renew orders from Hickson were dented earlier this month when Unilever announced that it was launching a version of Persil which did not contain the manganese catalyst.

Tesco and J Sainsbury, the supermarket groups, subsequently halted sales of Persil Power.

Different pulls of power

Peggy Hollinger on the £4bn generators' offer

"At least people might believe now that we don't control the electricity industry regulator," said a weary Treasury adviser on Friday after a sleepless night. "We could have done without this right now."

He was referring to Professor Stephen Littlechild's decision to warn PowerGen and National Power that he was monitoring their actions following record electricity prices earlier in the week.

The statement was delivered in advance on Thursday night to the government as it was preparing to print the pathfinder prospectus for the sale of its 40 per cent stake in the two power generators.

In the end, the government's advisers decided that Prof Littlechild had said nothing new. However, the government – preparing for what could be its last big fund-raising exercise before the next election – could not take any chances that the £4bn offer might not succeed. The pathfinder has now been delayed to reflect Prof Littlechild's comments.

Regulatory concerns are likely to dog the share sale campaign, as they did for the second tranche of the British Telecom privatisation. Every time Prof Littlechild speaks, lawyers preparing the prospectus and the banks leading the marketing campaign, are likely to get nervous.

Record electricity prices recently have obviously drawn increased regulatory attention and revived the threat of reduced price caps or a referral to the Monopolies and Mergers Commission.

Then, there is the regulator's fondness for competition. National Power and PowerGen together control about 60 per cent of the market for power generation, down from 75 per cent at privatisation. This is expected to fall further as Prof Littlechild encourages others to move into generation.

Nor should investors ignore the political risk faced. Should a Labour government become a reality, a windfall tax might not be far behind.

So, why does almost every analyst's note published in recent weeks recommend both companies shares as a buy, with little between them?

With 17 banks involved in marketing the generator shares around the world, there are few truly independent brokers. Yet even the independent houses claim the regulatory risk may have been overplayed. The generators avoided an MMC referral last year by agreeing the price caps, and are expected to do so again if the issue is revived.

There are, however, some basic attractions in the offer. Firstly, its partly paid nature over three tax years gives income funds a strong reason to apply. The dividend will be paid in full from year one, even though only a third of the offer price has been paid.

More fundamentally, both businesses are highly cash generative, enjoy strong finances and high dividend cover. Forecasts are for annual dividend growth of an average of 18 per cent for both generators to the turn of the century.

Yet prospects in the UK will never be exciting, with regulatory issues unlikely to disappear and competitors nibbling away at market share.

Stephen Littlechild: when he speaks, lawyers get nervous

The key to the companies' future value will be their success outside of UK generation. This is the only real area where investors can discern a difference between the two, both spin-offs from the break-up in 1989 of the Central Electricity Generating Board.

National Power, the bigger by more than half, has moved much more aggressively into international power generation. PowerGen has opted to stay mainly in the UK, but move into complementary areas, such as upstream gas. It has international ambitions, but none as aggressive as National Power which plans to invest £1bn abroad before the end of the century.

To a certain extent the different personalities of the two men who lead the companies reflect the way National Power and PowerGen have diverged.

Mr John Baker, chief executive of National Power, is known as the visionary. "He is very cerebral," says one leading London electricity analyst. "He takes the big strategic look at the ways of moving the company forward." Mr Baker is aided by a group of energy industry executives, recruited from outside National Power.

Ed Wallis, chief executive of PowerGen, is a nuts and bolts man, the engineer who worked his way up to the top. "He is a hands-on man," the analyst says. "Wallis wants to know everything that is going on." He has chosen a team of former power station managers to support him.

The two men are intense rivals, as are the companies they lead. Each obviously feels the strategy he has chosen to be the right one.

Critics can find fault with both, however. For National Power, such an aggressive move abroad brings greater risk. "Overseas generation is very attractive, but it is new and no one really knows how the market will develop," says one analyst.

PowerGen's decision to move into upstream gas has also drawn the criticism that if investors wanted exposure to the gas sector, they would invest directly.

Given the long-term nature of the non-core businesses, however, investors will have to wait two to three years to see a return from either strategy.

PTS to join market with expected £20m price tag

By David Blackwell

PTS, a Milton Keynes-based plumbing and sanitaryware distributor, will announce today plans to float through a placing towards the end of March.

The group, which is expected to be valued at about £20m, was founded in 1984, and now has 28 branches in south-east England and the Midlands. Profits in 1993 were £927,000 on turnover of £40.4m. Turnover for last year has been estimated at about £50m.

Mr David Sebire, non-executive chairman and one of the founders, said yesterday that the group was aiming to raise between £4m and £5m of new money to reduce its £5m of debt and finance further expansion.

The directors own 7.5 per cent of the shares and will be selling some shares to pay off personal debt. The staff own a further 5.3 per cent, with the rest held by institutions.

Sponsor to the placing will be Albert E Sharp.

Chamberlain Phipps buys safety shoe maker for $9m

By Steve Thompson

Chamberlain Phipps, the shoe and footwear company refloated on the London market last year, has moved quickly to expand its interests in North America by acquiring Knapp, the US industrial shoe company, for $9m (£5.7m).

The acquisition – Chamberlain's first since the £73m reflotation – marks another step in its strategy of increasing its interests in the higher margin safety shoe business.

The Boston-based Knapp manufactures boots in Maine and imports the rest from the east Asia. Chamberlain already has a presence in Canada, CP Canada, which designs, manufactures and markets industrial boots and branded outdoor footwear.

The Chamberlain business was taken over in 1989 by Evode, the chemicals group, but performed badly in a recession-affected climate, which saw US businessman Mr Dan Sullivan buy into the group with the backing of Legal & General Ventures.

Record results for Texas Instruments

By Louise Kehoe in San Francisco

Texas Instruments, the US semiconductor and electronics manufacturer, reported record sales and earnings for 1994, boosted by strong microchip sales.

Revenues for the fourth quarter were $2.8bn, up 17 per cent from $2.4bn in the same period a year ago. Profits from operations increased 47 per cent to $291m. Net income for the quarter was $188m, or $1.98 a share, compared with $134m or $1.42, in the previous fourth quarter.

Results for the latest quarter included costs of previously announced job cuts in international operations, including Japan, and start-up costs for new semiconductor production facilities in Dallas, Texas. Also included was a $48m profit-sharing payment to employees, compared with a $31m payout in the fourth quarter of 1993.

For the full year, revenues totalled $10.3bn, up 21 per cent *from $8.5bn in 1993, with most* of the increase coming from semiconductors. Net income for the year was $691m, or $7.27 a share, compared with $472m, or $5.03 a share, in 1993.

Electronic components (mostly semiconductor chips) represent TI's largest business segment, with 1994 revenues of $6.8bn, up from $5.2bn in 1993.

As well as being one of the world's largest manufacturers of memory chips, TI is a leader in digital signal processor chips, which are at the heart of multimedia technologies.

In the defence sector, revenues declined by 7 per cent to $1.7bn for 1994. However, profit margins remained stable. The division "continues to meet the challenges of a smaller defence market," said Mr Jerry Junkins, TI chairman and chief executive.

Sales of computer products, including notebook computers, *calculators and printers, grew* 14 per cent to $1.7bn, and profit margins improved substantially.

TI plans to increase capital expenditures in 1995 by 20 per cent to about $1.3bn and R&D by about 17 per cent to $800m.

Sony sees strong growth in Europe

By Michiyo Nakamoto in Tokyo

Sony's European operations are expected to register *double-digit growth* this year due to strong sales of components and peripheral equipment, the company said.

Although the European market for consumer electronic *products has been shrinking* for the past two years, it appeared to have bottomed in December, said Mr Jack Schmuckli, chief executive officer of Sony's European operations.

Demand was particularly firm in western Europe for display devices and components such as CD-ROMs, while markets in eastern Europe, including the former Soviet Union, showed a strong appetite for televisions and video recorders.

Eastern Europe is seen as a particularly promising market. Growth there was more than 30 per cent and "if nothing happens in Russia this could continue", Mr Schmuckli said.

Eastern Europe already comprises about 10 per cent of Sony Europe's total revenues of DM10bn ($6.6bn), compared with nothing three years ago. Sony has set up sales offices in Poland, the Czech Republic, Hungary, Bulgaria and Russia and in the next phase of expansion in the region expects to increase sub-assembly work there, Mr Schmuckli noted.

After that, in two to three years, the company might consider greenfield investments.

Eastern Europe could *increasingly provide a manu*facturing base that would, in turn, help strengthen the manufacturing base in western Europe by providing assembly work for a growing number of products, Mr Schmuckli said.

"As Europeans, we are a bit nervous about...a certain hollowing out of European industry," he pointed out. At the same time, growing demand in eastern Europe will have to be met through additional capacity "which would come more from the east than the west", he said.

The company has found that facilities in Asia, which were established to meet not only local demand but the needs of the European and US markets were *hard pressed to satisfy* even the local markets and Sony is actively considering knock-down assembly in Poland and Russia, for example.

Eastern Europe provides proximity to western Europe, a large pool of highly qualified supervisory personnel and technical engineers, and in some countries labour costs that are comparable to those in Malaysia.

Mr Schmuckli said that Sony hopes to increase overall local production in Europe from 40 per cent to about 50 per cent.

Sanyo Electric profits climb threefold

By Michiyo Nakamoto

Sanyo Electric said profits had more than tripled in its last financial year on the strength *of restructuring efforts* and strong markets for a wide range of its products.

The Japanese electronics company reported a 4.9 per cent rise in parent revenues in *the year to the end of Novem*ber, from Y1,015bn previously to Y1,065bn ($10.8bn).

Recurring profits – before extraordinary items and tax – surged more than threefold to Y19.7bn from Y6bn while net profits were up 92 per cent to Y7.8bn from Y4.1bn. The company increased its payout from Y2.1 to Y4.02 per share.

Consolidated results were in line with the parent company performance, with revenues up 9 per cent to Y1,660bn. Pre-tax profits improved from Y3.2bn to Y28.3bn. Net income was Y11.3bn against a loss Y1.6bn.

Sanyo *attributed its better* performance to restructuring efforts which enabled it to reduce personnel costs by Y2.7bn and strong demand for many of its products.

Semiconductors saw a pick-up in demand that lifted revenues for the division by 10 per cent. Sales from batteries rose 20 per cent, with rechargeable batteries enjoying particularly strong *demand*.

Electronic devices, including those for televisions, generated a 55 per cent increase in sales while optical information devices, such as CD-ROM pick-ups, were up 60 per cent.

The long, hot summer in Japan, helped air conditioner sales rise by 30 per cent in the domestic market, where refrigerator sales were also up by 25 per cent.

Sanyo has been enjoying buoyant demand in China, where the company has been setting up manufacturing facilities. Colour televisions have been *in strong demand*.

The company expects the market outlook to remain uncertain. However, continued restructuring and an emphasis on international operations are *forecast* to help the company achieve sales of Y1,100bn and net profits of Y12bn for the parent company. Consolidated sales are forecast at Y1,750bn and consolidated net profits at Y15bn.

Heavier than expected losses for Borland

By Louise Kehoe

Borland International, the struggling US software company, reported heavier than expected losses for its third fiscal quarter and a sharp drop in sales.

Third-quarter revenues were $48.1m, down 57 per cent from the same period last year, when revenues were $111.7m. Last June, Borland sold its *Quattro Pro spreadsheet prod*uct line to Novell. Excluding these products, revenues declined 39.5 per cent.

Price cuts in response to fierce competition, particularly from Microsoft, the industry leader, contributed to the fall in revenues.

The net loss for the quarter was $22.9m, or 80 cents a share, after a one-time gain of $10m from the Quattro Pro sale, against a net loss of $2.9m, or 11 cents, a year earlier.

Borland recently announced that it would restructure its operations with the loss of 650 jobs, about 40 per cent of its workforce. For the year to date revenues were $198.6m, down *from $342.5m a year earlier.* Net income for the nine months was $38.8m, or $1.21 a share. Special items increased pre-tax income by $97m. Last year the company reported net income of $6.1m, or 23 cents a share.

LTV reaps benefit of rising steel demand

By Maggie Urry in New York

Rising demand for steel and higher prices helped LTV, the steel group which emerged from Chapter 11 in mid-1993, to record sharply higher net income in 1994. The results were the best the group has achieved since 1989.

Excluding special credits in 1993, fourth-quarter net income *rose to $40.2m from $3.8m and* earnings per share to 37 cents from 4 cents. For 1994 as a whole, net income was $127m, an improvement of $205m over the 1993 result excluding special items, and earnings per share $1.29.

During the fourth quarter LTV's steel sales rose 9 per cent to $1.13bn, reflecting a 6 per cent gain in volumes and firmer prices. Mr David Hoag, chairman and chief executive, said demand rose across the group's customer base. The group also benefited from improved marketing and lower costs. For the full year, shipments were up 5 per cent, and sales up 9 per cent to $4.23bn.

LTV's steel facilities were operating at 99 per cent of capacity in 1994 with production up 4 per cent to 8.25m tons. As in 1993, the group had to buy semi-finished steel in to meet demand.

NEWS DIGEST

Uni Storebrand plans to spin off reinsurance side

Norway's largest insurer, Uni Storebrand, has announced plans to divest 90 per cent of its reinsurance business through an issue of 1.08m shares at NKr100 in a new company to be called Oslo Reinsurance, Reuter reports from Oslo.

Uni Storebrand had earlier said it was studing ways of divesting its troubled reinsurance businesses. The statement setting the terms for the plan confirmed that Uni Storebrand would keep a 10 per cent stake and that the public offering of shares would give preferential rights for Uni Storebrand shareholders.

It said the the board of directors had decided international reinsurance would not be a strategic core area for Uni Storebrand in the future.

With a valuation of the new reinsurance company of NKr120m ($18m), the transaction will result in a book loss for Uni Storebrand of NKr330m ($49.7m), the statement said. This amounts to an estimated loss on a consolidated basis of NKr100m, it said. The losses will be included in the accounts for 1994.

Watchdog clears UBS of share wrongdoing

The Swiss Federal Banking Commission said it had found no evidence of wrongdoing by Union Bank of Switzerland over the purchase of a SFr450m ($354m) block of its own shares during a proxy battle last October, writes Ian Rodger in Zurich.

The statement is a blow to BK Vision, the Zurich investment company that is contesting the outcome of the vote at a UBS shareholders' meeting last November. A narrow majority endorsed the directors' proposal to convert the registered shares into bearer shares.

UBS bought the block of registered shares from a retired German billionaire, most of it on a forward basis, raising questions about whether the deal also involved a voting commitment from Mr Kipp. Under Swiss law, shares held by a company cannot be voted at that company's meetings.

Meanwhile, BK Vision, which is controlled by Mr Martin Ebner's BZ financial group, has demanded a special audit of all transactions by UBS in its own shares during the proxy battle.

Hershey ahead before restructuring charge

Hershey Foods, the US chocolate and pasta maker, recorded fourth-quarter net income of $105m, up 14 per cent on the same period of *1993, before a $80.2m restructuring charge* relating to 400 planned job losses, writes Maggie Urry. The charge was lower than forecast when it was first announced in November.

For the year, net income rose 3 per cent to $264m, excluding one-off items, with earnings per share up to $3.04 from $2.86. Hershey said it had enjoyed a strong finish to the year with the US chocolate and grocery businesses leading the way. The 3.4 per cent advance in sales for the year to $3.61bn was due to new confec*tionery products, higher pasta prices* and acquisitions outside the US.

Increased offer for Portuguese bank

Banco Comercial Português and the insurance company Império will today formally register a bid for 100 per cent of Banco Português do Atlântico, Portugal's second largest bank, after raising their offer from Es300.3bn ($1.95bn) to Es308bn over the weekend, writes Peter Wise in Lisbon.

Mr Jorge Jardim Gonçalves, BCP president, said the increase from Es2,730 to Es2,800 a share was made as a legal precaution because a broker linked to the bidders had traded BPA shares for Es2,799 during the previous year. BPA shares closed at Es2,620 on Friday.

The new offer came as BCP announced a 17.1 per cent slide in net income to Es18.7bn in 1994, compared with Es22.5bn in 1993. It was BCP's first fall in profits after nine years of mercurial growth since it was founded in 1984.

BCP's total assets grew 15.3 per cent in 1994 to Es2,222bn and cash flow rose 5 per cent to Es78.9bn. However, loans fell from 42 per cent of total assets in 1993 to 39 per cent as the *effects of a recession that began in mid-1992* hit banks harder. BCP allocated Es17.8bn in new provisions against bad debt in 1994.

IBM in Hungarian move

IBM is to manufacture hard disc drives for personal computers at a new plant in Hungary, its first production venture in eastern Europe, writes Virginia Marsh in Budapest.

The company said it aimed to start production in October, at a plant leased from the Hungarian electronics concern Videoton, and to assemble 1m disc drives a year by 1996. The amount of money being invested has not been disclosed but officials said start-up costs for the new plant would run to 'several million dollars'.

Matif traders return

Traders on Matif, the French financial futures exchange, were due to return to work today after concessions following a week-long boycott of the market triggered by concerns over proposed new fee structures, writes Andrew Jack in Paris.

The market authorities agreed in principle on Friday to make adjustments to the fee structure and to consider proposals to give traders greater freedom to operate.

Merck

In the January 25 edition of the Financial Times, under the headline "Merck to make cash payment to Du Pont", it was implied that the $499.6m payment would be paid at the end of 1996. The company has asked us to point out that these payments will be spread over six years, beginning in 1995.

Czech investment group in bid for Bohemian brewery

By Vincent Boland in Prague

A group of powerful Czech investors has made a takeover offer for Budejovicky Budvar, the Bohemian brewery that makes Budweiser beer, challenging attempts by Anheuser-Busch of the US to take a stake in the company and settle a decades-old legal dispute over rights to the brand name.

The offer has been made by at least four of the Czech Republic's biggest investment funds, which have proposed that Jihoceske Pivovary, another *local* brewery they control, take a majority stake in Budvar and keep it in Czech hands. No financial details have been disclosed.

Sources close to Jihoceske have confirmed that a preliminary offer has been placed with the agriculture ministry, which is in charge of the privatisation of Budvar.

"Discussions on Budvar are going forward," said the sources, who asked not to be named.

Investors behind the offer include ZB Trust, part of Zivnostenska Banka, investment funds run by the state savings bank and state insurance company, and PIAS, a $1.4bn fund run by Investicni a Postovni (Investment and Post Office) bank.

These funds are already big shareholders in two other Czech brewers – Plzensky Prazdroj, which brews the best-*selling Pilsner Urquell beer*, and Radegast. These breweries and Jihoceske had over a third of the lucrative export market for Czech beers in 1993 while state-owned Budvar had nearly 23 per cent by itself, according to figures from Wood & Co, the Prague stockbroker.

The offer by the investment funds is a challenge to *Anheuser-Busch, which has* been trying to buy into Budvar for at least four years. The US company declined to comment on the funds' proposal.

Budvar sells its beer under the Budweiser name in key European markets, including Germany, while the US brewing giant owns rights to the name elsewhere, including the US and the UK. Anheuser-Busch is seeking to end the trademark dispute, which stretches back decades, as part of its proposed investment.

A truce in the legal battle, *introduced to allow negotia*tions to proceed, expired last September but it is understood that neither company has restarted legal action.

The government has made no decision on privatising Budvar, based in the south Bohemian town of Ceske Budejovice, known in German as Budweis.

Sharp fall in BCH earnings

By Tom Burns in Madrid

Banco Central Hispano (BCH), the weakest among Spain's big Spanish financial groups, saw its pre-tax profits shrink by 46.2 per cent last year *to* Pta44.2bn ($337.8m) due to high provisioning costs and sharply reduced income from trading in the volatile bond market. In 1993, BCH posted pre-tax profits of Pta82.2bn.

In contrast, BCH's core banking business improved over the period as the group raised its operating profit by 12.9 per cent to Pta102.9bn, mainly due to a 4.5 per cent drop in overall costs.

The group's total net revenue fell, however, by 0.4 per cent to Pta386.4bn, following a 3.6 per cent decrease to Pta80.9bn in fees earned from commissions.

The banking group reported net profits of Pta32.7bn for last year, 32.3 per *cent down* on 1993 after minorities.

The profit fall at BCH had been largely discounted by the market, which has been closely monitoring the banking group's efforts *to clean up* a balance sheet that was hit hard by the timing of the 1991 merger between Banco Central and Banco Hispano Americano, just ahead of Spain's dip into recession.

BCH's 1994 results suffered a double blow as extraordinary income from disposals and bond trading fell by 34.4 per cent to Pta68.8bn and as provisions for non-performing loans rose by 18.8 per cent to Pta158.2bn.

The provisions, together with recoveries that *were* up by 48.4 per cent to Pta39.2 per cent, raised BCH's coverage of bad debts from 66 per cent in 1993 to 75 per cent last year.

Mr Corostegui said BCH *would continue its strong pro*visioning effort this year with the aim of raising coverage to 100 per cent, in line with its big rivals. He said this would be "the last year" when such *a volume of funds* would be required to cover damaged assets and forecast a continued improvement in core banking.

Porsche to break even this year

By Christopher Parkes in Frankfurt

Porsche, the German luxury sports car maker, expects to break even in the year to July after three years in the red, Mr Wendelin Wiedeking, chairman, told shareholders.

The company, which has accumulated some DM450m ($298m) in losses during the worst slump in its history, had already turned the corner in *the first half*, he told the annual meeting.

Sales had risen 22.5 per cent to DM1.2bn at the halfway mark. He was "thoroughly satisfied" with orders for almost 9,500 cars in the period – an increase of about 17 per cent.

Mr Wiedeking also announced that prices would be raised by an average 2 per cent next month. *The first* increase in two years was made necessary by sharp increases in prices of aluminium, steel and other raw materials.

The chairman, who last December forecast a return to profit during 1996, repeated that the company was aiming to achieve annual sales of around 15,000 units for its Boxster roadster model, due *some time next year*.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, January 27, 1995. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	5502.75	3456.5	2286.24	3486.05
Albania	(Lek)	158.68	100.302	66.3425	101.217
Algeria	(Dinar)	67.4054	42.34	28.005	42.7265
Andorra	(Fr Franc)	8.3554	5.2483	3.4714	5.2962
	(Sp Peseta)	209.461	131.571	87.0252	132.772
Angola	(New Kwanza)	817668.3	513735	339801	518424
Antigua	(E Carr $)	4.2903	2.6949	1.7825	2.7195
Argentina	(Peso)	1.5919	0.9999	0.6613	1.009
Armenia	(Dram)	627.000o	393.844	260.501	397.439
Aruba	(Florin)	2.8443	1.7866	1.1817	1.8029
Australia	(Aus $)	2.0880	1.3115	0.8675	1.3235
Austria	(Schilling)	16.932	10.6358	7.0347	10.7327
Azores	(Port Escudo)	248.481	156.069	103.229	157.493
Bahamas	(Bahama $)	1.5920	1	0.6614	1.0091
Bahrain	(Dinar)	0.6002	0.377	0.2493	0.3804
Balearic Is	(Sp Peseta)	209.461	131.571	87.0252	132.772
Bangladesh	(Taka)	63.3586	39.7967	26.3241	40.162
Barbados	(Barb $)	3.1960	2.0075	1.3278	2.0258
Belarus	(Rouble)	18691.3o	11740.6	7765.72	11847.9
Belgium	(Belg Fr)	49.6386	31.18	20.6234	31.4646
Belize	(B $)	3.1780	1.9962	1.3203	2.0144
Benin	(CFA Fr)	835.54	524.837	347.144	529.627
Bermuda	(Bermudian $)	1.5920	1	0.6614	1.0091
Bhutan	(Ngultrum)	49.9495	31.3753	20.7526	31.6617
Bolivia	(Boliviano)	7.5300	4.7298	3.1285	4.773
Botswana	(Pula)	4.2854	2.6918	1.7804	2.7164
Brazil	(Real)	1.3444	0.8444	0.5585	0.8521
Brunei	(Brunei $)	2.3107	1.4514	0.96	1.4646
Bulgaria	(Lev)	106.0244	66.5962	44.0501	67.2061
Burkina Faso	(CFA Fr)	835.54	524.837	347.144	529.627
Burma	(Kyat)	9.1838	5.7687	3.8156	5.8213
Burundi	(Burundi Fr)	385.72	242.286	160.256	244.488
Cambodia	(Riel)	4145.70	2604.08	1722.42	2627.85
Cameroon	(CFA Fr)	835.54	524.837	347.144	529.627
Canada	(Canadian $)	2.2522	1.4146	0.9357	1.4276
Canary Is	(Sp Peseta)	209.461	131.571	87.0252	132.772
Cp. Verde	(CV Escudo)	131.836	82.8134	54.7754	83.5693
Cayman Is	(CI $)	1.3160	0.8266	0.5467	0.8341
Cent.Afr. Rep	(CFA Fr)	835.54	524.837	347.144	529.627
Chad	(CFA Fr)	835.54	524.837	347.144	529.627
Chile	(Chilean Peso)	649.436	407.937	269.823	411.661
China	(Yuan)	13.4336	8.4381	5.5812	8.5152
Colombia	(Col Peso)	1368.13	859.122	567.589	866.956
CIS §	(Rouble)	1.0412o	0.654	0.4325	0.6599
		6470.68m	4064.5	2688.39	4101.6
Comoros	(Fr)	626.062	393.255	260.111	396.845
Congo (Brazz)	(CFA Fr)	835.54	524.837	347.144	529.627
Costa Rica	(Colon)	266.093	166.516	110.139	168.036
Côte d'Ivoire	(CFA Fr)	835.54	524.837	347.144	529.627
Croatia	(Kuna)	8.7723	5.5102	3.6446	5.5605
Cuba	(Cuban Peso)	1.5890	0.9981	0.6601	1.0072
Cyprus	(Cyprus £)	0.7448	0.4678	0.3094	0.4721
Czech Rep.	(Koruna)	43.97	27.6193	18.2683	27.8714
Denmark	(Danish Krone)	9.5070	5.9717	3.9499	6.0262
Djibouti Rep	(Djib Fr)	282.397	177.385	117.328	179.004
Dominica	(E Carib $)	4.2903	2.6949	1.7825	2.7195
Dominican Rep	(D Peso)	21.3403	13.4047	8.8663	13.527
Ecuador	(Sucre)	3701.58o	2325.11	1537.9	2346.34
		3788.18a	2379.51	1573.88	2401.23
Egypt	(Egyptian £)	5.4016	3.393	2.2442	3.424
El Salvador	(Colon)	13.9186	8.7434	5.7832	8.8232
Equat'l Guinea	(CFA Fr)	835.54	524.837	347.144	529.627
Estonia	(Kroon)	19.304	12.1256	8.0202	12.2363
Ethiopia	(Ethiopian Birr)	8.6124	5.4097	3.5782	5.4591
Falkland Is	(Falk £)	1	0.6281	0.4154	0.6338
Faroe Is	(Danish Krone)	9.5070	5.9717	3.9499	6.0262
Fiji Is	(Fiji $)	2.2413	1.4078	0.9311	1.4207
Finland	(Markka)	7.5184	4.7232	3.1241	4.7663
France	(Fr)	8.3554	5.2483	3.4714	5.2962
Fr. Cty/Africa	(CFA Fr)	835.54	524.837	347.144	529.627
Fr. Guiana	(Local Fr)	8.3554	5.2483	3.4714	5.2962
Fr. Pacific Is	(CFP Fr)	151.773	95.3347	63.0574	96.2049
Gabon	(CFA Fr)	835.54	524.837	347.144	529.627
Gambia	(Dalasi)	15.5325	9.7565	6.4533	9.8456
Germany	(D-Mark)	2.4069	1.5118	1	1.5256
Ghana	(Cedi)	1644.62	1033.05	683.294	1042.48
Gibraltar	(Gib £)	1	0.6281	0.4154	0.6338
Greece	(Drachma)	375.621	235.943	156.06	238.098
Greenland	(Danish Krone)	9.5070	5.9717	3.9499	6.0262
Grenada	(E Carr $)	4.2903	2.6949	1.7825	2.7195
Guadeloupe	(Local Fr)	8.3554	5.2483	3.4714	5.2962
Guam	(US $)	1.5920	1	0.6614	1.0091
Guatemala	(Quetzal)	9.1507	5.7479	3.8018	5.8003
Guinea	(Fr)	1592.35	1000.22	661.577	1009.35
Guinea-Bissau	(Peso)	21561.1	13543.4	8958.04	13667
Guyana	(Guyanese $)	225.638	141.732	93.7463	143.026
Haiti	(Gourde)	30.191	18.9641	12.5435	19.1372
Honduras	(Lempira)	14.7459	9.2625	6.1265	9.347
Hong Kong	(HK $)	12.3106	7.7327	5.1147	7.8033
Hungary	(Forint)	178.839	112.336	74.3038	113.361
Iceland	(Icelandic Krona)	107.162	67.3128	44.5228	67.9272
India	(Indian Rupee)	49.9495	31.3753	20.7526	31.6617
Indonesia	(Rupiah)	3534.12	2219.92	1468.33	2240.19
Iran	(Rial)	2732.50	1716.39	1135.28	1732.06
Iraq	*(Iraqi Dinar)*	*0.9534*	*0.5989*	*0.3961*	*0.6043*
Irish Rep	(Punt)	1.0116	0.6354	0.4202	0.6412
Israel	(Shekel)	4.7835	3.0047	1.9874	3.0321
Italy	(Lira)	2546.32	1599.45	1057.93	1614.05
Jamaica	(Jamaican $)	50.848	31.9396	21.1259	32.2312
Japan	(Yen)	157.762	99.0967	65.5457	100.001
Jordan	(Jordanian Dinar)	1.1112	0.6979	0.4616	0.7043
Kenya	(Kenya Shilling)	70.7105	44.4161	29.3782	44.8215
Kiribati	*(Australian $)*	*2.0880*	*1.3115*	*0.8675*	*1.3235*
Korea North	(Won)	3.4164	2.1459	1.4194	2.1655
Korea South	(Won)	1256.88	789.378	522.12	796.583
Kuwait	(Kuwaiti Dinar)	0.4754	0.2986	0.1975	0.3013
Laos	(New Kip)	1152.03	723.637	478.636	730.242
Latvia	(Lats)	0.8652	0.5434	0.3594	0.5484
Lebanon	(Lebanese £)	2616.37	1643.45	1087.03	1658.45
Lesotho	(Maluti)	5.6343	3.5391	2.3408	3.5714
Liberia	(Liberian $)	1.5920	1	0.6614	1.0091
Libya	(Libyan Dinar)	0.5679	0.3567	0.2359	0.3599
Liechtenstein	(Swiss Fr)	2.0239	1.2712	0.8408	1.2828
Lithuania	(Litas)	6.3580	3.9924	2.6407	4.0289
Luxembourg	(Lux Fr)	49.6386	31.18	20.6234	31.4646
Macao	(Pataca)	12.7044	7.9801	5.2783	8.0529
Madagascar	(MG Fr)	5918.03	3717.98	2459.19	3751.82
Madeira	(Port Escudo)	248.902	156.345	103.412	157.773
Malawi	(Kwacha)	24.3687	15.3069	10.1245	15.4466
Malaysia	(Ringgit)	4.0714	2.5574	1.6915	2.5807
Maldive Is	(Rufiya)	18.7025	11.7478	7.7703	11.855
Mali Rep	(CFA Fr)	835.54	524.837	347.144	529.627
Malta	(Maltese Lira)	0.5769	0.3623	0.2396	0.3656
Martinique	(Local Fr)	8.3554	5.2483	3.4714	5.2962
Mauritania	(Ouguiya)	193.858	121.77	80.5436	122.882
Mauritius	(Maur Rupee)	28.2921	17.7714	11.7545	17.9336
Mexico	(Mexican Peso)	8.9548	5.6248	3.7204	5.6762
Miquelon	(Local Fr)	8.3554	5.2483	3.4714	5.2962
Monaco	(French Fr)	8.3554	5.2483	3.4714	5.2962
Mongolia	(Tugrik)	654.604	411.183	271.97	414.937
Montserrat	(E Carr $)	4.2903	2.6949	1.7825	2.7195
Morocco	(Dirham)	13.9435	8.7584	5.7931	8.8384
Mozambique	(Metical)	10505.67	6599.04	4364.81	6659.27
Namibia	(S A Rand)	5.6343	3.5391	2.3408	3.5714
Nauru Is	(Australian $)	2.0880	1.3115	0.8675	1.3235
Nepal	(Nepalese Rupee)	78.4988	49.3069	32.6131	49.7569
Netherlands	(Guilder)	2.6977	1.6945	1.1208	1.71
N'nd Antilles	(A/Guilder)	2.8443	1.7866	1.1817	1.8029
New Zealand	(NZ $)	2.4865	1.5618	1.033	1.5761
Nicaragua	(Gold Cordoba)	11.3920	7.1557	4.733	7.221
Niger Rep	(CFA Fr)	835.54	524.837	347.144	529.627
Nigeria	(Naira)	35.0229	21.9993	14.551	22.2001
Norway	(Nor. Krone)	10.5457	6.6248	4.3816	6.6852
Oman	(Rial Omani)	0.6129	0.3849	0.2546	0.3885
Pakistan	(Pak. Rupee)	49.0784	30.8281	20.3907	31.1095
Panama	(Balboa)	1.5620	0.9811	0.6489	0.9901
Papua New Guinea	(Kina)	1.8543	1.1647	0.7704	1.1753
Paraguay	(Guarani)	3078.59	1933.85	1279.11	1951.5
Peru	(New Sol)	3.4705	2.1799	1.4418	2.1998
Philippines	(Peso)	39.1779	24.6092	16.2773	24.8339
Pitcairn Is	(£ Sterling)	1	0.6281	0.4154	0.6338
	(NZ $)	2.4865	1.5618	1.033	1.5761
Poland	(Zloty)	3.8374	2.4104	1.5943	2.4324
Portugal	(Escudo)	248.902	156.345	103.412	157.773
Puerto Rico	(US $)	1.5620	0.9811	0.6489	0.9901
Qatar	(Riyal)	5.7832	3.6326	2.4027	3.6656
Reunion Is. de la	(F Fr)	8.3554	5.2483	3.4714	5.2962
Romania	(Leu)	2785.0	1749.37	1157.09	1765.34
Rwanda	(Fr)	218.53	137.268	90.7931	138.521
St Christopher	(E Carr $)	4.2903	2.6949	1.7825	2.7195
St Helena	(£)	1	0.6281	0.4154	0.6338
St Lucia	(E Carr $)	4.2903	2.6949	1.7825	2.7195
St Pierre	(French Fr)	8.3554	5.2483	3.4714	5.2962
St Vincent	(E Carr $)	4.2903	2.6949	1.7825	2.7195
San Marino	(Italian Lira)	2546.32	1599.45	1057.93	1614.05
Sao Tome	*(Dobra)*	*1923.80*	*1208.42*	*799.285*	*1219.45*
Saudi Arabia	(Riyal)	5.9707	3.7504	2.4806	3.7846
Senegal	(CFA Fr)	835.54	524.837	347.144	529.627
Seychelles	(Rupee)	7.7998	4.8992	3.2405	4.9439
Sierra Leone	(Leone)	977.236	613.841	406.014	619.444
Singapore	($)	2.3107	1.4514	0.96	1.4646
Slovakia	(Koruna)	48.371	30.3837	20.0968	30.6617
Slovenia	(Tolar)	193.906	121.8	80.5625	122.912
Solomon Is	($)	5.2685	3.3093	2.1889	3.3395
Somali Rep	*(Shilling)*	*4163.19*	*2615.00*	*1729.62*	*2638.50*
South Africa	(Rand)	5.6343c	3.5391	2.3408	3.5714
		6.4474g	4.0498	2.6787	4.0863
Spain	(Peseta)	209.461	131.571	87.0252	132.772
Spanish Ports in N Africa	(Sp Peseta)	209.461	131.571	87.0252	132.772
Sri Lanka	(Rupee)	79.4543	49.9094	33.011	50.364
Sudan Rep	(Dinar)	61.1129	38.3875	25.3907	38.7376
Surinam	(Guilder)	662.013	416.214	275.297	420.013
Swaziland	*(Lilangeni)*	*5.6343*	*3.5391*	*2.3408*	*3.5714*
Sweden	(Krona)	11.8539	7.4450	4.9240	7.5139
Switzerland	(Fr)	2.0239	1.2712	0.8408	1.2828
Syria	(£)	66.74	41.9221	27.7286	42.3047
Taiwan	($)	41.8572	26.2922	17.3905	26.5322
Tanzania	(Shilling)	850.115	533.992	353.199	538.808
Thailand	*(Baht)*	*39.8943*	*25.0582*	*16.5749*	*25.2879*
Togo Rep	(CFA Fr)	835.54	524.837	347.144	529.627
Tonga Is	(Pa'anga)	2.0880	1.3115	0.8675	1.3235
Trinidad/Tobago	($)	9.0176	5.6643	3.7465	5.716
Tunisia	(Dinar)	1.5563	0.9775	0.6465	0.9864
Turkey	(Lira)	64450.10	40483.7	26777.2	40853.3
Turks & Caicos	(US $)	1.5920	1	0.6614	1.0091
Tuvalu	(Australian $)	2.0880	1.3115	0.8675	1.3235
Uganda	(New Shilling)	1461.66	918.268	607.37	920.648
Ukraine	(Karbovanets)	186230.6	116970	77371.7	118047
U A E	(Dirham)	5.8469	3.6726	2.4292	3.7061
United Kingdom	(£)	1	0.6281	0.4154	0.6338
United States	(US $)	1.5920	1	0.6614	1.0091
Uruguay	(Peso Uruguayo)	9.1209	5.7292	3.7894	5.7815
Vanuatu	(Vatu)	175.751	110.396	73.0196	111.404
Vatican	(Lira)	2546.32	1599.45	1057.93	1614.05
Venezuela	(Bolivar)	270.424	169.864	112.354	171.415
Vietnam	(Dong)	17530.2	11015.2	7285.8	11115.7
Virgin Is-British	(US $)	1.5920	1	0.6614	1.0091
Virgin Is-US	(US $)	1.5920	1	0.6614	1.0091
Western Samoa	*(Tala)*	*3.9367*	*2.4724*	*1.6353*	*2.4949*
Yemen (Rep of)	(Rial)	88.30o(2)	55.4646	36.6861	55.971
Yemen (Rep of)	(Dinar)	0.6884(2)	0.4324	0.280	0.4363
Yugoslavia	(New Dinar) (1)				
Zaire Rep	(Zaire)	5012.00	3148.24	2082.35	3176.98
Zambia	(Kwacha)	1088.47	683.712	452.223	689.953
Zimbabwe	($)	13.3158	8.3641	5.5323	8.4406

Special Drawing Rights January 26, 1995 United Kingdom £0.923758 United States $1.47247 Germany DM2.23447 Japan Y146.555 European Currency Unit Rates January 27, 1995 United Kingdom £0.789615 United States $1.25130 Germany DM1.89764 Japan Y124.504

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential Imports; (g) Financial rate; (h) Exports; (i) Non commercial rate, (j) Business rate,(k) Buying rate; (l) Luxury goods; (m) Market rate, (n) Public transaction rate, (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate ; § CIS applies to states in the Rouble Zone. (1) Yugoslav Dinar rate n/a. (2) Yemeni rates for 29.4.94. Some data derived from THE WM/REUTERS CLOSING SPOT RATES & Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.

Friday, January 27, 1995

FINANCIAL TIMES

MARKETS

THIS WEEK

Global Investor / Philip Coggan

Test of nerve yet to come

A bond market collapse, a Mexican peso devaluation, a devastating Japanese earthquake and rising interest rates; US private investors have had plenty of confidence-sapping events to absorb over the past year.

Given that US portfolio capital drove the bull market of 1991-1993, it ought to be a good sign for world markets that the US private investor has failed to panic in the face of all the recent bad news.

Although US bond mutual funds have faced redemptions, equity funds are still experiencing net inflows. Furthermore, a Micropal survey of Latin American open-ended funds found only minimal redemptions in the last two months of 1994, a period when the funds' asset values fell 20 per cent.

This may be because markets do not seem that bad to the man on the Long Island Expressway. For all the talk of bear markets in Europe, the FT-A World Index is, in dollar terms, marginally ahead of its level at the beginning of 1994.

The dollar's weakness is the main cause; in D-Mark and yen terms, the World Index is more than 10 per cent below its end-1993 level. Furthermore, the index's largest components, Wall Street and Tokyo, are little changed on a year ago.

So the real test of whether the recent correction in world markets will turn into a proper bear market is yet to come. It is estimated that around three quarters of all the money in US equity mutual funds has been invested over the past three years. That money has been invested at an average level on the Dow of 3450.

The test of investor confidence may come if the Dow drops that far. If it does, it is hard to see world stock markets escaping the impact.

The Dow held up so well in 1994, in the face of the worst bond market since 1927 and a near doubling of US short term interest rates, because strong corporate earnings growth came through.

But US fund manager Mr Michael O'Higgins points to historical evidence that the key influence on the US stock market is not the size of earnings growth but changes in the price-earnings ratio.

The main graph shows the p/e of the Dow Jones Industrial Average, from peak to trough, between 1935 and 1987 (O'Higgins ignores 1982 when the p/e was distorted by write-offs; the numbers are based on the Dow's yearly high or low, against annual earnings).

What is odd is that the best periods of stock market performance did not coincide with the best periods of earnings per share growth. From 1935 to 1948, for example, the earnings per share of Dow companies rose by 264 per cent. But because the p/e fell from 23.4 to 7.2, the Dow rose just 12 per cent over the entire period.

Similarly, between 1961 and 1974 earnings per share rose 210 per cent. But thanks to a decline in the p/e from 23 to 5.8, the Dow fell over the period. Between 1948-61 and 1974-87, earnings growth was quite modest but a rebound in the p/e cycle delivered substantial returns to investors.

Mr O'Higgins thinks the p/e peak in 1987 may have marked the start of another phase of the cycle, which means that the Dow may be no higher in the year 2000 than it was just before the crash.

Markets rarely conform to the neat patterns demanded by believers in cycles, however. There has been another roller-coaster ride in p/es since 1987, with the multiple soaring from 10.1 in 1988 to 64 in 1991, although this latter figure is again distorted by write-offs. A sharp fall in the rating to the current 17 has reflected the rebound in corporate earnings, combined with a Dow stuck in a narrow trading range.

Could the Dow be on its way down to another p/e low, of the the type experienced in 1948 and 1974? The p/e of the Dow has tended to be inversely correlated with interest rates. The smaller graph, which compares three-month certificate of deposit rates with the inverse of the p/e on the S&P Industrials (roughly equivalent to the earnings yield), shows a close relationship since 1981.

Mr Michael Hughes, global strategist at BZW in London, says this relationship is due to the boost to economic activity given by lower interest rates, which leads to higher expectations of earnings growth. Since interest rates are strongly influenced by the level of inflation, it is the rate of increase in retail prices which has a strong effect on the range in which the p/e moves.

A rule of thumb for the US, he says, is that the p/e and the inflation rate should add up to 20. In the 1970s, high inflation rates led to lower p/es; lower inflation in the 1980s and 1990s has allowed the multiple to rise. In a low inflation era, the p/e could move in a 16-18 range, compared with the current level of 17.

If Mr Hughes is right, p/es will not test previous lows, although he does believe that the up-rating of markets caused by low inflation is over.

Perhaps the p/e cycle theory might best be applied to Japan rather than the US. The p/e on the Tokyo market is now 63, according to Datastream, not far from its highs in the late 1980s bubble period.

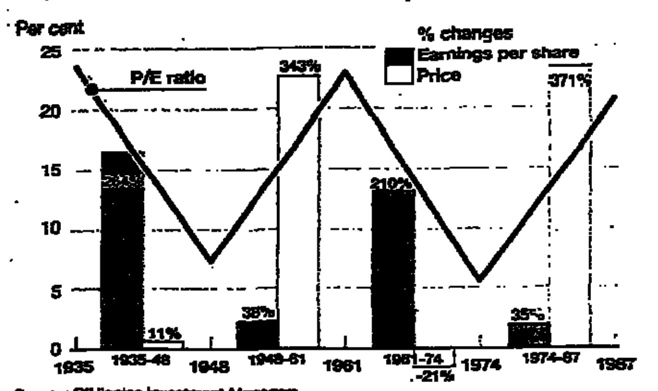
Many people argue that p/es are irrelevant in analysing the Japanese market. But Mr Steven Nagourney, global strategist at Lehman Brothers in New York, thinks Japan is still, without justification, priced as a growth stock. The Mexican crisis will make it more difficult for emerging markets to finance their current account deficits, thereby restricting the potential for Japanese export growth.

As the market adjusts to Japan's reduced growth prospects, the forthcoming rebound in corporate earnings could, in share price terms, be negated by the decline in the p/e.

Perhaps the result will resemble the Dow cycle from 1961-74, and those who are buying the Nikkei because it is less than half its late-1980s peak will be disappointed.

As 1995 begins, some of the strongest doubts concern the US and Japan, rather than the second tier markets. If those doubts are justified, the recent correction will turn into a bear market.

Dow Jones Industrial Average



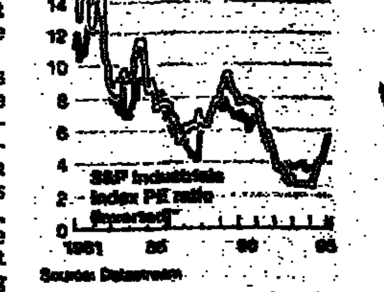
Source: O'Higgins Investment Managers

Total return in local currency to 26/1/95

	% change over period					
	US	Japan	Germany	France	Italy	UK
Cash						
Week	0.11	0.04	0.09	0.10	0.16	0.11
Month	0.51	0.20	0.44	0.49	0.72	0.60
Year	3.69	2.00	5.31	5.68	7.88	5.25
Bonds 3-5 year						
Week	0.33	0.33	0.27	0.50	0.48	0.71
Month	1.05	0.63	0.85	0.97	1.18	0.12
Year	-2.53	0.73	0.53	-1.09	0.15	-1.21
Bonds 7-10 year						
Week	0.23	0.11	0.65	0.50	0.35	0.23
Month	0.71	-0.18	0.92	0.40	0.47	-0.28
Year	-5.65	-0.55	-3.62	-7.40	-8.46	-6.44
Equities						
Week	0.4	-5.0	-2.8	-0.8	0.1	-0.8
Month	2.2	-9.6	-3.4	-6.0	5.9	-2.1
Year	2.6	-8.6	-5.6	-17.6	8.9	-9.8

Source: Cash & Bonds - Lehman Brothers. Equities-© NatWest Securities.
The FT-Actuaries World Indices are jointly owned by The Financial Times Limited, Goldman Sachs & Co., and NatWest Securities Limited.

Interest rates & P/Es



Source: Datastream

COMMODITIES

Pulp turmoil is no fiction

The annual Pulp and Paper Producers' Conference beginning today in Montreal is likely to attract more than the usual amount of international interest following the steep rise in prices for the industry's products that has shocked consumers over the past year.

Earlier this month North American and Scandinavian pulp producers announced that from March the price of northern softwood bleached kraft pulp, the industry's benchmark product, would rise $75 to $825 (£529) a tonne. This will be the sixth rise since the end of 1993, when the price stood at $390. Newsprint prices, inevitably, have followed.

The latest increase stemmed partly from strong demand in Europe, the Far East and the Middle East, but also from labour disruptions at several important mills in British Columbia.

With demand continuing to be very strong, customers fear that the 1989 price record of $840 a tonne could soon be overtaken, and they will be keen to hear how delegates at the Montreal meeting view the market outlook.

Most analysts and producers expect the upward pressure on prices to ease later this year. But there is no consensus on the likely extent of any downturn.

Mr David Pinneault, economist at Resource Information Systems in Boston, has predicted that NBSK prices could temporarily fall back to about $700 a tonne by the end of the year as European stocks recover and consumption slackens. But Mr Michael Valois, manager for market development at Repap, a large Canadian producer, believes that many analysts have been underestimating demand and expects to see no more than a levelling-off in prices during the course of this year.

● Other events this week include today's Commodity Derivatives Conference in Dallas and the opening on Sunday of the three-day Grain World '95 conference in Winnipeg, at which delegates will give their views on the outlook for world grain and livestock markets.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.95	9.09	9.09
0100	16.40	32.19	34.79
0130	9.01	42.13	44.72
0200	9.01	42.13	44.72
0230	9.01	42.13	44.72
0300	9.01	42.13	44.72
0330	9.01	29.13	30.72
0400	8.00	25.36	27.95
0430	8.00	9.09	9.09
0500	8.20	9.08	9.08
0530	6.03	9.09	9.09
0600	8.03	8.70	8.70
0630	8.95	8.55	8.55
0700	8.95	8.40	8.40
0730	8.95	8.40	8.40
0800	8.80	8.40	8.40
0830	8.75	8.12	8.12
0900	8.80	8.30	8.30
0930	8.95	8.40	8.40
1000	8.00	8.40	8.40
1030	8.00	8.40	8.40
1100	8.00	8.70	8.70
1130	10.28	9.09	9.09
1200	10.88	9.59	12.59
1230	11.65	19.31	21.90
1300	11.65	32.33	34.92
1330	11.65	32.33	34.92
1400	10.28	19.31	21.90
1430	8.00	9.54	12.13
1500	8.00	9.54	12.13
1530	8.00	9.09	9.09
1600	8.00	9.09	9.09
1630	8.00	35.82	38.41
1700	8.02	37.22	39.81
1730	11.68	44.34	46.93
1800	11.69	44.34	46.93
1830	11.67	44.34	46.93
1900	11.65	37.22	39.81
1930	11.65	37.22	39.81
2000	10.88	37.22	39.81
2030	10.28	37.22	39.81
2100	8.00	37.22	39.81
2130	8.00	22.29	24.88
2200	9.07	22.29	24.88
2230	9.00	9.09	9.09
2300	8.80	8.99	8.99
2330	8.75	8.99	8.95
2400	8.80	8.99	8.99

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price [illegible]

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	8.75	15.27	[illegible]
0100	9.03	37.22	42.21
0130	9.22	48.30	52.99
0200	9.02	48.30	52.99
0230	16.40	37.22	42.21
0300	10.17	37.22	42.27
0330	10.17	37.22	42.27
0400	9.09	37.22	42.27
0430	9.01	22.29	25.28
0500	8.60	22.29	25.28
0530	8.10	9.08	9.08
0600	8.07	9.39	9.39
0630	8.20	9.02	9.02
0700	8.92	9.01	8.01
0730	9.25	8.82	8.32
0800	11.35	8.32	8.82
0830	14.45	8.92	8.92
0900	21.50	9.09	9.09
0930	29.95	26.53	29.52
1000	35.12	26.53	29.52
1030	35.53	35.23	38.22
1100	35.99	37.03	40.02
1130	34.17	37.03	40.02
1200	34.83	37.03	40.02
1230	29.50	38.68	41.67
1300	23.02	38.68	41.67
1330	17.31	38.68	41.67
1400	14.92	37.03	40.02
1430	11.23	31.68	34.67
1500	10.49	31.68	34.87
1530	11.35	36.13	39.12
1600	24.49	36.13	39.12
1630	76.39	42.48	45.47
1700	219.00	46.34	48.52
1730	345.73	49.22	52.43
1800	363.85	55.00	58.18
1830	249.40	54.30	57.40
1900	118.62	45.68	48.69
1930	53.78	37.82	40.82
2000	21.03	42.42	45.41
2030	10.88	37.79	40.78
2100	8.83	53.75	56.74
2130	9.00	36.13	39.12
2200	8.85	37.78	40.78
2230	8.65	27.87	30.96
2300	8.20	27.97	30.96
2330	8.10	27.87	30.96
2400	8.10	10.07	10.07

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price [illegible]

Economics Notebook

Reaching critical acceleration

For 25 years Britain's relatively poor economic performance has been blamed largely on an inflexible labour market. So why is inflation now barely stirring when unemployment is falling at near record speed?

The proportion of the workforce without a job and claiming social security benefits has fallen to 8.6 per cent since peaking two years ago at 10.5 per cent. Although annual growth in average earnings picked up slightly in late 1993, it has now been stuck at about 3.75 per cent for a year.

Conventional economic theory asserts that there is a "natural" rate of unemployment at which the growth of prices and wages is stable. If unemployment falls below that rate, then workers will demand bigger pay rises. This pushes up employers' costs and forces them to put up their prices.

This in turn prompts further pay demands and the process repeats itself, with wage and price inflation rising relentlessly.

Mr Ray Barrell, of the National Institute for Economic and Social Research, argues that Britain's natural rate of unemployment is about 8 to 8.5 per cent – a relatively high estimate. This suggests that the jobless total cannot fall for much longer at its current pace without fuelling inflationary pay settlements. And, if anything, the fall in unemployment is now accelerating rather than slowing down.

This point will not be lost on officials at the Bank of England, who are busy putting the finishing touches to next week's quarterly report on UK inflation prospects. Interest rates are being set with the aim of influencing inflation two years into the future, so the bank must predict the path of unemployment over that period and the implications for pay and inflation.

This means deciding whether the labour market is likely to behave in the future as it has behaved in the past.

If Mr Barrell's estimate of the natural rate is correct, then the normal warning signals that it is being approached have been strangely muted. With unemployment falling towards the natural rate so rapidly, one would expect more evidence already of accelerating wage inflation in parts of the economy with little spare capacity.

But earnings growth remains puzzlingly stable, even though pay settlements have picked up in the past year. Settlements and earnings growth normally move in parallel, so this suggests that higher headline pay rises may be illusory. Employers may be consolidating bonuses into basic pay or enforcing longer hours and fewer holidays.

Some analysts argue that the low level and stability of earnings growth points to a far more profound structural transformation in the labour market, perhaps resulting from the erosion of trade union membership and collective bargaining over pay in recent years. This means the natural rate may be lower than Mr Barrell suggests.

But it is too soon to be sure. Most studies have found no significant underlying change yet in the way the labour market behaves. For example, Ms Penelope Rowlatt, a director of National Economic Research Associates, argues that manufacturing earnings normally grow in line with inflation plus the trend growth rate of factory output per worker.

This relationship broke down for two years at the end of the 1980s – when earnings lagged behind rising inflation – but then reasserted itself. Manufacturing earnings still consistently outstrip inflation in Britain, in contrast to the experience of most industrialised countries.

This suggests that the factors that are keeping earnings growth low may prove temporary: low inflation has meant modest wage demands, people still feel insecure in their jobs, and the real value of pay settlements agreed a year ago has not been eroded as much by price rises as the negotiators then expected.

If the enhanced "flexibility" of the labour market has had a permanent structural impact, then it may have speeded up the adjustment of wages and prices to economic events rather than changing the magnitude of that adjustment. It has certainly become less costly for companies to change wages and prices. This has helped keep wage inflation down so far, but may also mean that inflation rises more quickly once unemployment is below the natural rate.

Professor Simon Wren-Lewis, of Strathclyde University, has found also evidence that labour market adjustment has become more rapid and more sensitive to expectations of future events*. He believes this may make it even more difficult to assess where unemployment lies relative to the natural rate.

The reason is that inflation may now be "overshooting" in much the same way that currencies do in the foreign exchange market. If wages and prices have been adjusting more flexibly, then inflation may have fallen further in response to the recession than was really justified. If so, then inflation is likely to bounce back automatically towards the 4 per cent or so which most people still seem to regard as a "normal" level.

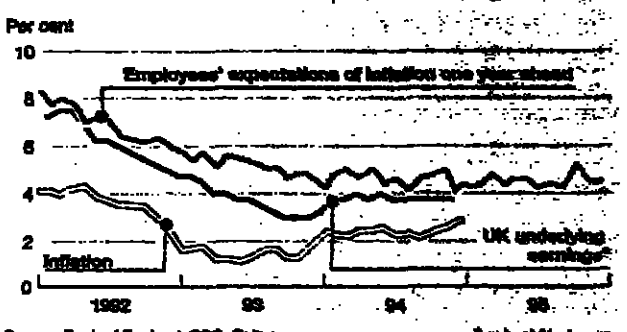
But this need not imply – as conventional theory would suggest – that a never-ending cycle of rising wage and price inflation is getting under way. Policymakers could misinterpret a short-term upward adjustment in inflation as evidence that price increases are running out of control because unemployment is too low. In which case policy could be tightened too far.

The setting of interest rates has never been a precise science. The fact that labour market signals are now so difficult to interpret makes it even harder.

Reza Moghadam and Simon Wren-Lewis: Are Wages Forward Looking?, Oxford Economic Papers 1994.

Robert Chote

Low inflation fails to convince



Source: Bank of England, CSO, Gallup
* annual % change

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS — FRIDAY JANUARY 27 1995

Figures in parentheses show number of lines of stock	US Dollar Index	%chg since 30/12/94	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 30/12/94	Gross Div. Yield
Australia (88)	165.37	−3.6	153.99	103.59	129.98	144.24	−2.0	4.00
Austria (18)	175.37	−4.0	163.30	109.85	137.84	137.73	−6.4	1.18
Belgium (35)	168.55	0.1	156.96	105.59	132.49	129.61	−2.0	4.28
Brazil (28)	143.31	−12.2	133.45	89.77	112.64	222.77	−12.4	1.01
Canada (103)	123.65	−4.4	115.14	77.45	97.19	128.88	−3.6	2.73
Denmark (33)	252.64	0.3	235.28	158.28	198.56	205.20	−1.5	1.45
Finland (24)	188.55	0.8	173.72	116.86	146.63	184.92	0.0	0.75
France (102)	160.51	−1.9	149.47	100.55	126.16	132.14	−3.5	3.25
Germany (58)	140.76	−0.7	131.08	88.18	110.64	110.64	−3.1	1.88
Hong Kong (56)	290.53	−10.9	270.55	182.00	228.37	288.44	−11.0	4.34
Ireland (16)	210.50	2.1	196.02	131.88	165.46	188.46	0.2	3.38
Italy (59)	80.17	7.0	74.66	50.22	63.02	85.77	6.5	1.62
Japan (484)	142.30	−8.3	132.52	89.14	111.86	89.14	−8.9	0.85
Malaysia (97)	418.90	−12.6	390.09	262.41	329.27	412.61	−12.5	2.04
Mexico (18)	1048.76	−25.9	976.61	656.96	824.34	6449.93	−15.4	1.59
Netherland (19)	221.87	2.0	206.61	138.99	174.40	171.61	−0.4	3.37
New Zealand (14)	72.60	3.0	67.61	45.48	57.07	60.21	3.0	4.86
Norway (23)	212.83	−0.2	198.19	133.32	167.29	191.38	−2.2	1.81
Singapore (44)	335.78	−10.0	312.68	210.34	263.93	224.60	−10.4	1.91
South Africa (59)	293.04	−13.0	272.88	183.57	230.34	259.40	−13.5	2.57
Spain (38)	130.63	−1.0	121.64	81.83	102.67	130.21	−1.1	4.45
Sweden (46)	238.17	2.1	221.79	149.19	187.21	262.53	2.2	1.49
Switzerland (47)	164.26	−0.6	152.97	102.91	129.12	129.45	−3.4	1.88
Thailand (46)	135.24	−14.5	125.94	84.72	106.31	131.54	−14.6	3.01
United Kingdom (205)	196.16	0.2	181.74	122.26	153.41	181.74	−1.6	4.25
USA (513)	192.66	2.6	179.42	120.70	151.45	192.66	2.6	2.90
Americas (682)	177.17	1.7	164.98	110.99	139.26	148.61	1.9	2.66
Europe (723)	169.17	0.1	157.53	105.97	132.97	148.08	−1.7	3.15
Nordic (128)	228.80	1.9	213.06	143.32	179.84	213.60	1.4	1.39
Pacific Basin (305)	149.12	−8.2	138.87	93.41	117.22	97.46	−8.7	1.25
Euro-Pacific (1532)	157.38	−5.3	146.56	98.59	123.71	117.01	−6.5	2.10
North America (616)	188.40	2.3	175.44	118.02	148.09	188.19	2.4	2.89
Europe Ex. UK (518)	151.50	0.1	141.06	94.91	119.08	128.12	−1.8	2.51
Pacific Ex. Japan (325)	217.48	−8.7	202.52	136.23	170.94	191.16	−8.3	3.50
World Ex. US (1740)	157.87	−5.6	147.01	98.90	124.09	120.13	−6.6	2.11
World Ex. UK (2048)	165.66	−3.1	154.27	103.76	130.22	137.88	−3.6	2.20
World Ex. Japan (1769)	183.70	0.0	171.06	115.07	144.39	173.85	−0.6	3.01
The World Index (2253)	168.25	−2.8	156.67	105.39	132.25	141.81	−3.4	2.40

THURSDAY JANUARY 26 1995 — DOLLAR INDEX

Figures in parentheses show number of lines of stock	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (88)	164.93	153.61	103.60	129.88	143.34	189.15	161.21	179.56
Austria (18)	176.08	163.06	109.98	137.87	137.83	198.89	167.48	190.01
Belgium (35)	167.91	156.38	105.47	132.22	129.28	177.04	161.53	166.28
Brazil (28)	148.06	137.89	93.00	116.59	228.74	–	–	–
Canada (103)	125.38	116.78	78.78	98.73	128.22	143.28	120.54	140.90
Denmark (33)	249.65	232.51	156.82	195.59	202.93	275.79	238.61	268.72
Finland (24)	184.89	172.19	116.14	145.59	183.79	201.41	133.88	146.88
France (102)	161.48	150.40	101.44	127.16	132.72	186.37	157.70	178.91
Germany (58)	140.53	130.88	88.28	110.68	110.86	150.40	128.37	132.02
Hong Kong (56)	289.43	269.56	181.81	227.92	287.28	493.01	277.40	488.85
Ireland (16)	211.33	196.82	132.75	166.42	189.11	216.60	177.86	209.01
Italy (59)	80.39	74.87	50.50	63.31	85.94	97.79	67.25	71.07
Japan (484)	142.17	132.41	88.30	111.98	89.30	170.10	139.45	140.98
Malaysia (97)	417.12	388.49	282.02	328.45	411.01	594.76	398.16	487.20
Mexico (18)	1069.10	992.92	669.68	839.52	6520.72	2047.08	1028.86	3464.86
Netherland (19)	220.35	205.22	138.41	173.52	170.86	223.30	191.28	201.59
New Zealand (14)	71.73	66.81	45.06	56.49	59.37	77.59	62.05	[illegible]
Norway (23)	210.65	196.19	132.32	166.58	189.58	214.65	177.53	198.84
Singapore (44)	329.57	306.95	207.02	259.63	220.60	401.38	294.66	349.60
South Africa (59)	290.62	270.67	182.58	228.88	259.80	342.00	205.56	264.40
Spain (38)	130.17	121.29	81.77	102.51	129.90	158.79	134.87	161.06
Sweden (46)	237.11	220.83	148.04	186.72	261.06	242.81	198.70	281.94
Switzerland (47)	164.33	153.05	109.22	129.40	129.88	176.56	149.81	166.69
Thailand (46)	135.05	125.78	84.83	108.36	131.46	–	–	–
United Kingdom (205)	194.24	180.91	122.02	152.96	180.91	214.98	181.11	209.83
USA (513)	191.73	178.57	120.44	150.58	191.73	198.94	178.86	194.03
Americas (682)	176.55	164.44	110.90	139.03	148.00	–	–	–
Europe (723)	169.80	157.21	106.03	132.92	147.53	179.58	160.48	178.37
Nordic (128)	227.18	211.58	142.70	178.90	212.37	233.91	197.70	212.36
Pacific Basin (305)	148.88	138.88	93.62	117.24	97.51	178.86	149.85	[illegible]
Euro-Pacific (1532)	157.09	146.30	98.67	123.70	116.96	178.14	164.73	[illegible]
North America (616)	187.82	174.74	117.98	147.78	187.40	192.73	178.87	[illegible]
Europe Ex. UK (518)	151.39	141.00	95.10	119.21	128.13	189.12	144.19	[illegible]
Pacific Ex. Japan (325)	216.90	201.45	135.87	170.33	189.85	201.79	[illegible]	[illegible]
World Ex. US (1740)	157.88	146.85	99.05	124.17	120.17	178.66	[illegible]	[illegible]
World Ex. UK (2048)	165.27	153.93	103.82	130.15	137.71	178.89	[illegible]	[illegible]
World Ex. Japan (1769)	183.11	170.54	115.02	144.19	173.34	190.80	[illegible]	[illegible]
The World Index (2253)	167.81	156.20	105.41	132.16	141.58	180.60	[illegible]	179.84

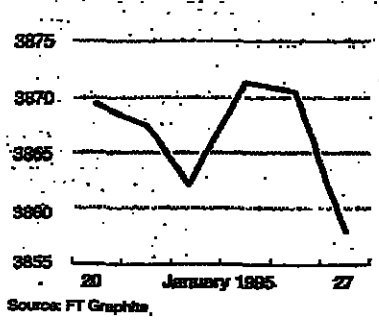
Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and [illegible] (Local).
Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 149.94 (Local).

EQUITY MARKETS: This Week

NEW YORK — Lisa Bransten

Wall St near certain of half point rate rise

Dow Jones Industrial Average



Source: FT Graphite

When everyone is almost absolutely sure something will probably happen, that is when they are most likely to be wrong – especially when one is speaking of the Federal Reserve.

This time last year, the conventional wisdom held that interest rates would hold near 3 per cent through most of the year. Ask Mr Robert Citron, former treasurer of Orange County, California, what he thinks of that and he might storm out of the room. Mr Citron got burned last year by betting the county's portfolios on steady monetary policy while the Fed raised rates six times.

The current consensus is that the Fed will raise interest rates by 50 basis points at the two-day meeting of its Open Market Committee beginning tomorrow.

It is, of course, anybody's guess what the Fed will do. According to the few and far between dissenters from the conventional wisdom, the Fed could leave monetary policy unchanged or raise rates by 25 or 75 points.

Some days, however, it seems Mr Alan Greenspan, chairman of the central bank is the only one who is unsure. Fedologists – who certainly studied under the ex-Soviet Union's best Kremlinologists – made much of comments by Mr Greenspan when he told a Congressional panel he did not know what the FOMC would do.

While market players are waiting for any signals from the Fed, they will have important economic data to digest as well. Perhaps the most important will come on Friday when the Labor Department releases January figures on jobs and wages. Although job growth in 1994 was the strongest in a decade, wage inflation for the year held below 3 per cent.

Analysts have been looking for an increase in wages since unemployment began dropping, but some do not expect to see it in January. Ms Marilyn Schaja of securities house Donaldson, Lufkin & Jenrette expects a 0.2 per cent increase in average hourly earnings for January compared with the 0.3 per cent increase reported for December.

Figures on personal income and consumer spending are due today. After the weak December retail sales figures released earlier this month, analysts put spending growth at 0.4 per cent for December against November's 0.6 per cent. As for personal income, analysts expect it to have risen slightly in December, reversing November's 0.1 per cent decrease.

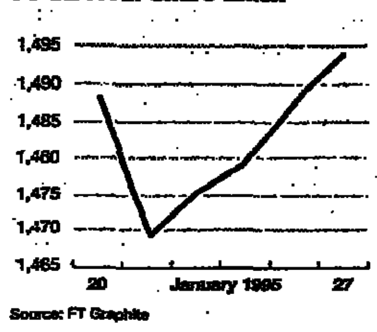
Another important figure due this week will come from the National Association of Purchasing Management. Economists at Chemical Securities expect the NAPM index for January to show a slight dip to 57.5 per cent after December's extremely strong 57.8.

The NAPM figure is due on Friday – by then the Fedologists should be forming a consensus on what the central bank will do next.

LONDON — Terry Byland

Bid activity not enough to lift the gloom

FT-SE-A All-Share Index



Source: FT Graphite

Traders in UK equities are living in a different world from their analyst colleagues in the backrooms just at present. While dealing desks are awash with bid speculation, the strategists eye the investment fundamentals with much less confidence. Scrummages around the playing field look a good deal less edifying from the directors' boxes in both the football and the securities business.

The market has gained barely 1 per cent over a week which has brought the prospect of the biggest corporate deal in history, as well as clear signs that the pharmaceutical, telecommunications and banking sectors are heading into the long predicted global restructuring. And that rise owed as much to a late improvement in interest rate prospects as to bid speculation.

The international range of investment in these sectors, and the high cash content of the existing and, presumably, of any increased Glaxo bid for Wellcome, should imply a heavy supply of new money into London equities. Bid fever on this scale would have driven equities wildly ahead in the 1980s, 1970s, 1960s and no doubt any other era. So, what has gone wrong this time?

"The FT-SE may wriggle for a while but you cannot fight the inevitable," is the answer from Mr Robin Aspinall at Panmure Gordon. He is not alone, even if few go along with the downside target of FT-SE 2,500 to 2,800 still held by Mr Nick Knight of Nomura.

Reading from the top, as it were, world markets have displayed serious vulnerability to Tokyo's slightly delayed reaction to the implications of the Kobe earthquake.

Nomura says that, "given the amount of money that foreigners pumped into the Japanese equity market last year, the actual and psychological impact. . . " should probably not be under-estimated".

Another threat is that the cost of rebuilding in Kobe may cause Japanese investors to retreat from overseas markets for the time being. So, the international horizon remains dark, even if the Mexican situation has lightened somewhat.

This month, and probably this week, is likely to present markets with the definitive moves on interest rate trends in the UK and in Washington. At the beginning of January, London analysts believed rises in base rates would be held back until the second quarter of the year. But domestic GDP figures, the CBI report on pricing prospects and accelerating manufacturing output prices have cut the timescale. Many now believe rates could go up next month, and few expect them to remain at present levels until the end of March.

More bid moves in the near future are almost certain. But bid activity on its own is clearly not going to be the salvation of the London stock market.

Global offerings

Seita opens heavy 1995 new issuance calendar

Although the international equity market has managed to absorb two large US corporate offerings in the last fortnight, many European issuers have been reluctant to test the water, in spite of their heavy 1995 issuance calendar.

However, many dealers expect activity to pick up in the coming weeks, spurred in part by governments' eagerness to keep up with their privatisation schedules.

The first European privatisation issue of the year kicked off last week with the launch of Seita, the French tobacco monopoly best known for its Gauloises and Gitanes brands.

Of the 51.8m Seita shares it owns, the French government is offering some 31.3m shares, including about 13.3m to global institutional investors. If the number applied for by French investors exceeds the 13.3m offered to them, up to 20 per cent of the international tranche can be reallocated to the domestic tranche.

A group of long-term, "stable" investors will be sold a further 25 per cent (12.9m shares). The state will retain 10 per cent, with the balance going to employees and state-licensed tobacconists.

The government last week set an indicated price range of FFr126 to FFr134 a share. Crédit Lyonnais and Crédit Commercial de France are global co-ordinators and Société Générale is to lead the global tranche.

In Sweden, Incentive, the industrial concern controlled by the Wallenberg family, has launched the sale of the new Cardo group, an engineering company specialising in industrial doors, pumps and railway brake systems.

Incentive acquired Cardo in June 1994 to obtain its controlling 58 per cent voting stake in the medical equipment specialist Gambro, its 50 per cent shareholding in Wabco USA and Cardo's share portfolio.

Having stripped these assets out, Incentive is re-floating the rest of Cardo in an offering combining a rights issue to former Cardo shareholders and an IPO aimed at international investors – as announced during last year's acquisition. Merrill Lynch and Svenska Handelsbanken are joint global co-ordinators.

Incentive has set an indicated price range of SKr77 to SKr87 a share. Under the rights offering, which began on Friday, former shareholders can purchase the shares at a discount to the share price of SKr12.5; on Friday, the rights closed at SKr12.9 bid. The issue is expected to total 30m shares, including a 10 per cent over-allotment option.

Some 60 per cent of the shares will be placed under the rights offering, with the rest sold to international investors. The international roadshow starts today, the London presentation is set for February 8, and pricing for February 16.

After the successful issue of 45m new shares, worth $1.1bn, for Nabisco Holdings two weeks ago, the sale of British Telecom's holding of 35.9m shares in AT&T last week met further strong investor demand for US paper.

The paper was priced on Friday at $49¾ per share, ⅛ below Thursday's last traded price, raising $1.78bn. AT&T also granted underwriters the option to buy up to 5.4m newly issued shares to cover over-allotments, which would raise another $268m.

Another telecommunications offering is being prepared for Globalstar, which held roadshows in Asia and Europe last week for its forthcoming 12m share IPO. At an indicated price of $24 to $26 a share, the issue is set to raise $300m for the development and operation of a worldwide low-earth orbit satellite-based telecommunications system. Pricing is expected in early February and Lehman Brothers is the global co-ordinator.

Conner Middelmann

OTHER MARKETS

FRANKFURT

Over the past two weeks, investors have been treated to partial previews of the Thyssen group figures, due tomorrow. Its steel subsidiary reported on January 18, and its trading and services, and its engineering operations on different days last week.

RWI, one of Germany's leading economic institutes, has recently made positive noises about steel industry prospects in 1995; and Thyssen also made a joint move into German telephone services with BellSouth, the largest US regional telecommunications operator. Mr Eckhard Frahm of Merck Finck in Düsseldorf notes that its brokers have revised their earnings forecasts upwards, from zero to DM4 a share in 1994, and from DM11 to DM18 for 1995.

SAP, the computer software group, trebled its third-quarter earnings and is an unashamed growth stock on a prospective 1995 p/e of over 30. Merck Finck EPS forecasts for tomorrow are DM23 for 1994, and DM32 for 1995.

PARIS

An active French news season continues with final results due from Paribas, Rhône-Poulenc and Total tomorrow. Paribas has weakened with other French financials as a spate of property losses has hit the sector; the chemicals group, Rhône, has seen its shares hold firm against a falling market since it made its last asset sales, in a debt reduction process, just before Christmas.

Oil stocks were a focus of investment interest last week with renewed tips for Shell and gains on results for Elf Aquitaine. UBS expects a 3 per cent improvement in net income for Total, to FFr3.5bn.

AMSTERDAM

KLM, the Dutch airline, saw institutional buying following presentations to UK analysts earlier this month. UBS forecasts a 346 per cent rise in net profits from Fl 15m to Fl 67m when the Dutch airline produces third-quarter figures on Thursday.

MILAN

Indications of Fiat's 1994 performance should emerge after Thursday's board meeting, ahead of the subsequent publication of the annual, so-called Agnelli news letter to investors which sets out the figures in more detail.

Mr Nicholas Potter at Credito Italiano International expects the company to report net profit for last year of L800bn to L850bn, after the L1,800bn loss in 1993. For the current year Mr Potter expects net profit to double.

On the political front, the new government of Mr Lamberto Dini is expected to have an easy passage through the confidence vote in the upper house on Wednesday. However, strategists are split on the outlook for the Italian market.

Merrill Lynch notes that Italian equities have risen 14 per cent over the past month in dollar terms and says that profit-taking may dominate in the short term, although it expects outperformance over the next 12 months.

STOCKHOLM

Electrolux, the household appliance group, reported a seven-fold rise in profits for the first nine months of 1994. Consensus forecasts prepared by the Estimate Directory indicate full-year gains of 87 per cent in profits and 224 per cent in earnings per share.

TOKYO

The rally in construction stocks eased some of the selling by overseas investors and institutions last week. But although the "reconstruction theme" may become a long term trading incentive for investors, analysts say much of the current buying is coming from individual investors and dealers looking for quick profits.

Although institutional investors previously indicated that 18,000 would be the bottom of the trading range, implying that they would turn buyers once the Nikkei index fell through that level, Mr Jason James, strategist at James Capel in Tokyo, believes that the Nikkei index could decline near to the 17,000 level. "Institutional investors seem to have lowered their trading ranges as the result of the earthquake," he says.

HONG KONG

Thin trading is expected to mark the holiday-shortened week in Hong Kong, open today, but closed tomorrow, Wednesday and on Thursday for the Chinese new year.

Today, attention in the colony will be fixed on fourth-quarter GDP data from the US, out overnight last Friday and expected to play a key role in the Fed's decision on interest rates, due on Wednesday.

An interest rate rise of 50 basis points – which would be mirrored in the colony, via the US$/HK$ peg – has been broadly factored into Hong Kong stock prices.

Locally, the focus will continue on interest rate-sensitive sectors, property and banking. Banking stocks came under pressure at the end of last week, following weaker than expected results from Bank of East Asia, the colony's third biggest quoted bank.

Compiled by William Cochrane

EMERGING MARKETS: This Week

The Emerging Investor / Mark Suzman

Johannesburg holds steady course

For decades South African stockbrokers have sought in vain to remove the automatic equation between the Johannesburg stock exchange and political risk in the eyes of international investors.

Just 10 days ago, however, that linkage seemed, once again, to be more than justified.

Although it had been expected that last April's elections would introduce a modicum of stability to the country, rumours that deputy president F.W. de Klerk might pull his National Party out of the coalition government of national unity with the African National Congress and Inkatha Freedom Party seemed to belie this fact.

In response, the market and currency dropped sharply, while bond rates rose.

But, while the situation may have been familiar territory for traders who have dealt with the politically inspired ups and downs of the past five years in South Africa, the reality is that the situation has fundamentally changed for the better, an assessment which the markets have ultimately accepted. The recent slide lasted only half a day, and within 24 hours shares had recovered all of the losses of the preceding day.

One of the main reasons for the market's revival was the realisation that, even if the National Party and Inkatha were to pull out of the administration, the economic consequences would prove far less catastrophic than they might have six months ago.

Ten best performing stocks

Stock	Country	Friday 27/1/95	Week on week change $	Week on week change %
Public Bank	Malaysia	1.5640	0.2001	14.67
Nobleza Piccardo	Argentina	3.8000	0.4707	14.14
Cia de Aceros Del Pacifico	Chile	5.1477	0.5594	12.19
Empresa La Moderna	Mexico	3.7156	0.3477	10.32
CMPC	Chile	15.3205	1.3721	9.84
Mundicenter	Portugal	24.9376	2.1196	9.29
Ledesma Seal	Argentina	1.5500	0.1303	9.18
Indah Kiat	Indonesia	1.1261	0.0886	8.54
Soares Da Costa	Portugal	20.4029	1.3879	7.30
Petrobras (Pfd)	Brazil	0.1119	0.0076	7.29

Source: Baring Securities

With the notable exception of Mr Chris Liebenberg, the finance minister, who is not a member of any political party, all the top economic officials in the government are now from the ANC, and, more to the point, are largely converted to the virtues of the free market.

In consequence, the departure of Mr de Klerk would probably have relatively little bearing on future economic policy.

Over the past week the market has remained nervous, with the All Share index closing on Friday at 5,163, down 4.6 per cent on the week.

For the coming year the stock exchange should be assessed more on economic than political grounds, and, on close examination, matters look quite positive for international investors, even in the wake of the "tequila effect" emanating from Mexico's peso devaluation.

Nevertheless, for the past 12 months on the Johannesburg bourse, foreign investors have been "the dog which did not bark".

After having received a net R2.8bn (£0.5bn) in foreign money during calendar year 1993, local brokers predicted grandiosely that sums of R5bn or more would pour into the exchange after last April's elections.

In practice, however, largely for political reasons, net foreign investment for 1994 in equities was a paltry R185m, while during the past six months of the year foreigners were sellers of stocks, disposing of a net R796m. The situation in gilts was only slightly better.

In doing so, however, they missed out on one of the better performing markets in the world, as the All Share index rose some 16 per cent on the year. And although the market has dropped in recent months – the combination of the Mexican fall-out and a lower gold price means it is currently 12 per cent down on the all-time high reached last September – South Africa remains a relatively attractive option.

Most notably, in April the JSE officially becomes part of the IFC emerging markets index, accounting for more than 20 per cent of the total capitalisation. As many international funds are required by constitution to carry their emerging markets exposure in proportion to index weightings, this should guarantee the flow of some new funds to Johannesburg, as should the comparison with many alternatives.

"After April, investors will be forced to assess South Africa alongside Latin American and Asian markets, and at the moment we compare quite favourably," says one local dealer. "We are not as indebted as the Latin countries and we are cheaper than the Asians."

The departure of Mr de Klerk will probably have relatively little bearing on future economic policy

This is largely true. Before the recent correction, South Africa's p/e ratio of around 19 was starting to look a little overvalued, but a surge in corporate earnings, combined with the recent fall in share prices, has reduced that to a much more manageable 17.

And analysts are confident that the situation will improve over the coming year. "We expect strong earnings growth coming through this year," says Mr Niall Brown of local brokers Simpson McKie. "Corporate profits are likely to improve by 20 per cent or more."

A further fillip will come from the expected abolition of the financial rand, the special, discounted currency through which foreigners are required to invest in South Africa.

Mr Chris Stals, reserve bank governor, has said he expects the demise of the two-tier currency system to happen some time this year and the bond markets, which currently offer real rates of close to 7 per cent, have already discounted the move.

When this happens, probably soon after the March budget, this will remove a major disincentive to foreigners, as well as improving liquidity on a market which had turnover equivalent to only 8.9 per cent of total capitalisation during 1994. At the same time, this year's planned deregulation of the exchange, which will include the introduction of screen trading and permitting foreign ownership of local brokerages, should also improve efficiency.

East European markets suffer sharp declines

By Christopher Bobinski in Warsaw and Virginia Marsh in Budapest

East European equity markets suffered sharp falls last week. Poland's stock market hit a 52-week low on Friday, and on the same day the Czech index recorded its 14th consecutive loss. The Budapest stock exchange index fell to a 12-month low, losing 5.2 per cent on the week and further sharp falls are expected today following the resignation of the finance minister on Saturday.

Poland has been affected by low investor morale at home and scant interest from abroad. On Friday the market exceeded its previous lowest point – reached in last year's crash when stock prices fell by almost 50 per cent – badly burning domestic investors who until then had provided the bulk of the demand.

Equity prices in Poland continued their downward path even as most companies showed profits in real terms for last year. Twenty of the larger quoted companies tracked by Mr Michael Harvey of Salomon Brothers have reported earnings per share up 40 per cent over a year in which inflation reached 32 per cent.

He also noted that part of the reason for the decline came from the demands made on the market by rights issues in 1994, as well as new share offers, which have brought the number of listed companies to 45.

"This means more diversity of choice for investors. It also means that these companies now have positive cash flows, have reduced their debts and are investing heavily in a growing economy," Mr Harvey said.

Brokers in Budapest said the unexpected resignation at the weekend of Mr Laszlo Bekesi, finance minister and architect of the government's economic reform programme, would further depress the market.

A bearish trend began in November due to uncertainty over economic reform under the new socialist-led government and the more cautious attitude of foreign investors in the wake of the Mexican crisis.

Recent increases in domestic interest rates meant that local investors were switching into government bonds, they added. Stock exchange officials had hoped that faster privatisation and a series of public offers and flotations planned for this year would boost the market.

India

The government announced on Friday an end to a 38-year ban on options contracts, opening the way to a wide range of new financial instruments, Reuter reports. The move is intended to help integrate India into the global economy.

Shenzhen

The Shenzhen stock exchange is to allow all of its listed B shares to apply for a secondary listing on the Hong Kong stock exchange.

There are 118 A shares traded on the Shenzhen exchange and 24 B Shares.

Panama

National Assembly has approved a government plan for the partial privatisation of the telephone utility, of which 49 per cent is to be sold to a private company and 2 per cent to the telephone union.

● *Edited by John Pitt*

Baring Securities emerging markets indices

Index	27/1/95	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (315)	*140.31*	-0.48	-0.34	-12.67	-8.28	-17.72	-11.21
Latin America							
Argentina (24)	82.01	-1.24	-1.49	-2.51	-2.97	-4.10	-4.78
Brazil (21)	192.08	+4.31	+2.29	-11.95	-5.86	-17.29	-8.26
Chile (13)	204.37	+2.39	+1.18	-11.53	-5.34	-7.20	-3.40
Mexico (28)	74.47	-1.22	-1.61	-8.13	-9.84	-23.15	-23.72
Peru(16)	720.84	-12.71	-1.73	-144.11	-16.66	-128.03	-15.09
Latin America (102)	*121.44*	+0.39	+0.32	-9.17	-7.02	-17.33	-12.49
Europe							
Greece (18)	83.99	-0.46	-0.54	-2.61	-3.02	-3.00	-3.45
Portugal (19)	112.53	-2.92	-2.53	-2.48	-2.16	-3.75	-3.23
Turkey (20)	67.84	-0.44	-0.64	-8.88	-11.58	-8.27	-10.86
Europe (57)	92.82	-1.35	-1.43	-4.30	-4.43	-4.88	-4.99
Asia							
Indonesia (27)	123.18	-2.18	-1.74	-9.96	-7.48	-10.51	-7.86
Korea (24)	123.77	-3.31	-2.61	-15.42	-11.08	-16.11	-11.52
Malaysia (22)	193.70	+2.14	+1.12	-18.56	-8.74	-17.16	-8.14
Pakistan (13)	86.99	-9.29	-9.65	-18.52	-17.55	-19.20	-18.08
Philippines (12)	237.88	-7.38	-3.01	-47.43	-16.62	-44.25	-15.69
Thailand (26)	226.24	-4.38	-1.90	-24.22	-9.67	-25.40	-10.10
Taiwan (32)	163.18	-1.72	-1.04	-16.49	-9.18	-20.97	-11.39
Asia (156)	188.95	-1.93	-1.01	-21.04	-10.02	-21.67	-10.29

All indices in $ terms. January 7th 1992=100. Source: Baring Securities

CURRENCIES — Philip Gawith

Dollar remains focus of attention

Currency markets look set for an interesting week. The central banks in the US, Germany and the UK are all meeting to decide on interest rate policy, the January employment report in the US will be released on Friday, and France has joined the list of European countries whose currency is under pressure.

Traders will also be keeping a close watch on the passage of the Mexican support package through the US congress. The evidence of recent weeks suggests that the dollar remains vulnerable to developments in Mexico. Given current bearish sentiment, the dollar may well be damned either way – whether a support package passes or not.

Aside from Mexico, the main focus for the dollar will be the two-day meeting of the Federal Open Market Committee, starting tomorrow. Real economic data have continued to reflect strong growth – most recently, the 4.5 per cent fourth quarter GDP growth figure – but they have not shown signs of rising inflation.

This, together with the belief that the Fed might wish to avoid aggravating Mexico's problems by raising rates, has introduced an element of uncertainty into the committee's deliberations. Some observers argue that only by calming fears of delay can the Fed hope to stabilise the dollar and flatten the yield curve.

Apart from watching the Fed, markets will also be inundated with data – notably the employment report, but also personal consumption data, confidence indices and auto sales – shedding light on the state of the economy.

An interest rate rise will support the dollar, but a significant upside move seems unlikely until the Mexico shadow is removed. The downside is probably limited by fear of central bank intervention.

The focus of attention at the Bundesbank council meeting will be on whether the bank decides to ease the repo rate, or possibly reverts to a variable rate repo in order to achieve the same effect.

Even if rates do ease, the political uncertainties in many other European countries, the unresolved Mexican question and the dollar's dubious safe haven status, seem sure to maintain the D-Mark's strength.

The pressure this places on currencies like the franc, peseta and lira is likely to keep traders busy.

Whether UK rates rise now or in March appears finely balanced. If no decision is made this week, sterling may be vulnerable to the stronger D-Mark and a possible rise in US rates.

WORLD BOND MARKETS: This Week

NEW YORK — Maggie Urry

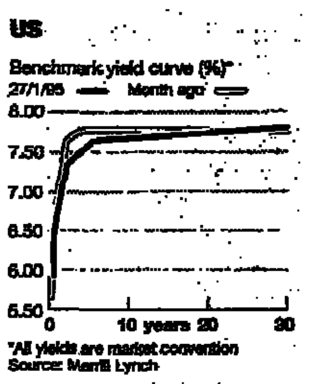
The bond market ended the week with a flourish, with the long bond gaining 1¼ points on Friday, bringing the yield down to 7.72 per cent. Investors are hoping this week's expected 50 basis point rise in interest rates will mark the beginning of the end of the Federal Reserve's tightening of credit, and the economy will soon show clear signs of slowing down.

Although Friday's fourth-quarter GDP figures showed the economy still expanding at a cracking real rate of 4.5 per cent on an annual basis, they suggested inflation was still low. Markets also took comfort from Mr Alan Greenspan, chairman of the Fed, saying he thought growth was slowing.

As a result, investor buying following the GDP numbers sent traders with short positions hurrying to cover them, adding to the rally.

Aside from the Fed's Open Market Committee meeting tomorrow and Wednesday, this week also brings a number of economic statistics which will be closely examined for clues to the economy's performance.

Today sees the publication of personal income and expenditure figures. On Wednesday, December's leading indicators number and the purchasing managers survey will come out. Friday's numbers for January unemployment are expected to show a rate of 5.4 per cent, unchanged from December.



*All yields are market convention
Source: Merrill Lynch

LONDON — Graham Bowley

The most important event for UK gilts this week is the Treasury and Bank of England's meeting on Thursday, which holds the prospect of a rise in UK base rates.

Opinion is divided, but many analysts think Mr Kenneth Clarke, the chancellor, and Mr Eddie George, the Bank's governor, will raise rates by ½ percentage point from their current 6¼ per cent.

Mr Don Smith, economist at HSBC, thinks the gilts market will react positively if rates are increased.

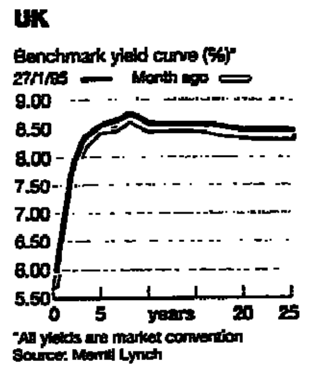
"A rate rise will boost the anti-inflation credibility of the government, to the benefit of the long-end of the yield curve in particular, but we could see long-term yields rising if there is no move on rates," he said.

Also of importance is the US Federal Open Market Committee meeting, which begins tomorrow. Many expect the Fed to raise US short-term interest rates.

UK money supply figures released today could show a rise this month in the annual growth rate of M0, the narrow measure of money supply.

The market consensus is for an annual growth rate of 6.9 per cent, up from 6.8 per cent last month, although Mr Smith thinks the rate could go as high as 7.4 per cent.

On Wednesday, dealers will also be looking at the purchasing managers' index for December for signs of inflationary pressures.



*All yields are market convention
Source: Merrill Lynch

FRANKFURT — Andrew Fisher

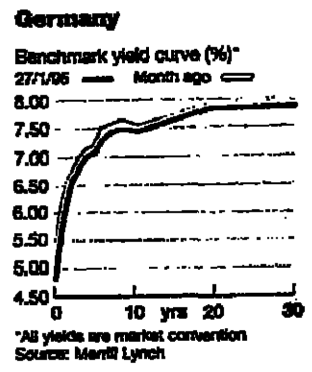
All eyes are on the US this week, where another 50 basis point rise in short-term rates is expected in order to check inflation. As last week's figures for west Germany showed – with consumer prices up only 2.3 per cent in January – domestic inflation has eased closer to the Bundesbank's goal of 2 per cent. M3 growth in December at an annualised 4.8 per cent (and 5.7 per cent in the final quarter) also met money supply targets after earlier severe overshooting.

But the Bundesbank had some luck. As well as the desired shift of funds from short to long-term investments and weaker bank lending, the strong move (mainly for tax reasons) into money market funds also improved the picture.

Dresdner Bank economists believe assessment of the M3 trend in coming months will be made more difficult by the growing popularity of money market funds, which attracted nearly DM27m in December.

Traditional M3 will sink or stagnate, suggesting a fall in interest rates. But "extended M3" (including money market funds) will rise slightly, indicating the need for no action.

"Thus the door is opened to speculation over Bundesbank decisions every second Thursday [when its council meets]," Dresdner said. Even so, most economists expect no further rate rises for a while.



*All yields are market convention
Source: Merrill Lynch

TOKYO — Emiko Terazono

Although the Tokyo stock market was hit last week by concerns over the effects of the Kobe earthquake, the bond market remained unaffected, with the yield on the 10-year benchmark closing 3 basis points higher on the week.

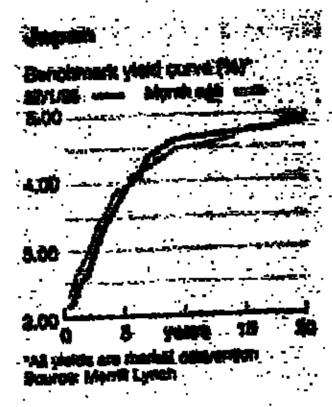
The different reactions may be explained by the plunge on the Tokyo stock market, although triggered by the earthquake, being the result of profit-taking by overseas investors disappointed by last year's performance of Japanese stocks.

Kleinwort Benson in Tokyo explains that only 20 per cent of the stock market's fall was due to worries over funding of Kobe's reconstruction raising interest rates, and the acknowledgement of the 'earthquake risk premium' of Tokyo's financial markets.

The bond market this week is likely to see further support from short-term interest rates, as the Bank of Japan maintains an easy stance on money market operations.

Expectations of contained inflation in the US are also good news for the Tokyo bond market, which tends to be influenced by US interest rate fluctuations.

There is no doubt that extra government financing through the bond market will start weighing on bond prices, and as economists start revising upwards their estimates of the damage from the earthquake, concern over higher rates will start to sink in.



*All yields are market convention
Source: Merrill Lynch

Ratings

Measures to avoid the liquidity trap

A yardstick for measuring the liquidity of bond issues is proposed in a new report published recently by the London-based Centre for the Study of *Financial Innovation**.

The report argues that illiquidity can be as big a problem for investors as the default of an issuer and it proposes a system of ratings which would give investors an indication of how readily they could expect to buy and sell a particular issue at a reasonable price.

"Not being able, in case of need, to realise cash at a reasonable value level on an investment is every investor's nightmare," says Mr Ian Mackintosh, an investment banker who is currently a managing director of Standard & Poor's, the US credit rating agency (although the report is written in a personal capacity).

Frequently liquidity risk seems to be "camouflaged" by the presence of a high credit rating, luring investors into a false sense of security, he says. A large issue by a well-known name will not be necessarily liquid, he argues.

Market professionals do not agree among themselves on a definition for liquidity. Mr *Mackintosh says a rating sys*tem would resolve these uncertainties and strengthen investor confidence.

"Liquidity risk is begging to be identified more clearly and more frequently," he says.

He proposes measuring liquidity by scoring most widely accepted components such as the size and life of an issue, the number of committed market-makers, and the credit quality of the issuing company. These factors would then be aggregated into liquidity or "L ratings", and monitored to assist market professionals and investors.

They would a complement other rating services.

**Liquidity Ratings for Bonds by Ian Mackintosh, CSFI (18 Curzon Street, London W1Y 7AD Tel: 071 493 0173)*

Richard Lapper

Money markets

Floating-rate CD arrangers find problems in HK dollars

Recent turmoil in the Hong Kong currency markets has had a knock-on effect in the short-term money markets, with arrangers of floating-rate *certificates of deposit (FRCDs)* reporting a reluctance among foreign banks – especially Japanese – to make commitments in Hong Kong dollars.

Moves by the Hong Kong Monetary Authority (HKMA) to tighten monetary supply on January 12 and 13, are at the root of the problem. The authority's actions, designed to avert a speculative attack on the Hong Kong currency which is pegged to the US dollar, triggered a sharp rise in interest rates on the overnight interbank market, where lenders to FRCD issuers obtain funding.

Overnight rates rose from 5½ per cent to between 9 and 12 per cent on January 13, leaving *a number of banks with losses*. These are now reluctant to participate in syndicated HK dollar loans, especially CDs which are funded overnight.

This made the arrangement of two issues spanning January 13 – a HK$1.2bn FRCD for Dao Heng Bank, owned by the Guoco Group, and a HK$1bn five-year FRCD for ABN Amro *acting through its Hong Kong* branch – particularly tough, with many banks refusing to participate.

The deadline for the ABN Amro deal was extended to January 23 from January 19, but arrangers said this was simply to give extra time to targeted investors. Nine banks joined in the syndication.

Later timing of the HK$1bn FRCD for Générale Belgian Bank Hong Kong Branch, launched last week, is expected to ensure a warmer response.

Even so, bankers have been shaken by the episode. At certain times during January 12 and 13 there were no Hong Kong dollar funds available.

"There's big uncertainty in the market for Hong Kong dollar funds. It is very difficult to predict what will happen. I think all the foreign banks are worried," said one banker.

"The scale of their worries depends on their Hong Kong dollar book and funding operations. If you are a bank which has to rely on inter-bank *markets it's a reason to worry* – we are worried ourselves."

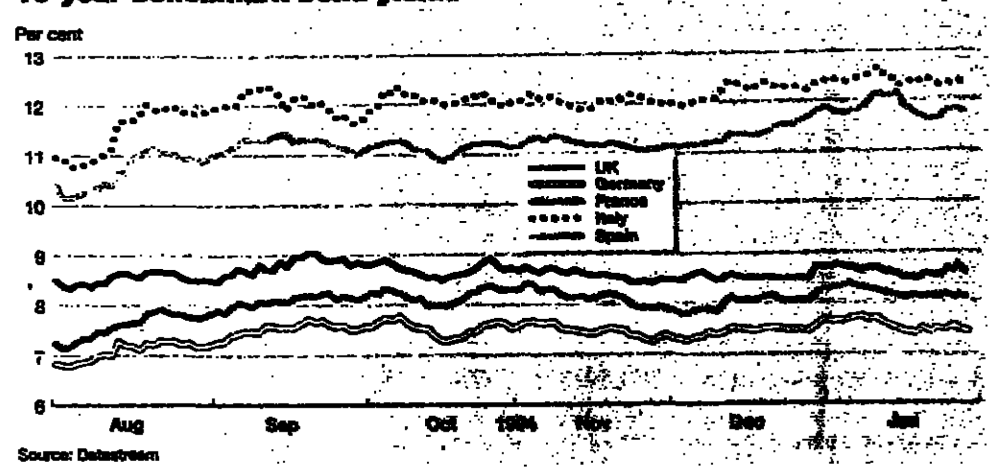
Meanwhile, the HKMA is to clarify uncertainty surrounding recent moves by some borrowers to tighten the "ring-fence" which surrounds their own head office's liability for loans obtained from local branches of international banks.

The authority has held discussions with bankers about proposed new wording for a clause to be attached to CD documentation. The clause would clarify the extent to which "ring-fencing" is possible – in line with local and international law – and should be a standard part of documentation by the summer.

The issue is sensitive in view of the 1997 transfer of Hong Kong sovereignty to China.

Louise Lucas

10-year benchmark bond yields



Source: Datastream

INTEREST RATES AT A GLANCE

	USA	Japan	[illegible]	[illegible]	[illegible]	[illegible]
Discount	4.75	1.75	[illegible]	[illegible]	[illegible]	[illegible]
Overnight	5.50	2.19	[illegible]	[illegible]	[illegible]	[illegible]
Three month	5.92	2.25	[illegible]	[illegible]	[illegible]	[illegible]
One year	6.82	2.43	[illegible]	[illegible]	[illegible]	[illegible]
Five year	7.63	3.76	[illegible]	[illegible]	[illegible]	[illegible]
Ten year	7.65	4.63	[illegible]	[illegible]	[illegible]	[illegible]

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	100-01	101-09	+1-07	[illegible]	[illegible]	[illegible]	[illegible]
Sep	99-19	100-25	+1-07	[illegible]	[illegible]	[illegible]	[illegible]
Dec	99-22	100-16	+1-07	[illegible]	[illegible]	[illegible]	[illegible]

Japanese bonds

Tokyo takes a calm view of prospects

Japanese bond market investors have remained remarkably sanguine following the Kobe earthquake, in spite of the sharp sell-off on the Tokyo stock market and warnings by business leaders who believe some of the initial damage estimates were too low.

Bond market participants chose to ignore Mr Kosaku Inaba, head of the Japan Chamber of Commerce and Industry, who was quoted as saying last week that the damage could amount to more than Y40,000bn, or 10 per cent of Japan's gross national product, and Mr Shoichiro Toyoda, chairman of the Keidanren, the influential business leaders' federation, who also pointed out that damages could exceed current estimates ranging from Y3,000bn to Y8,000bn.

Televised reports of the devastation were also dismissed, *and instead, bond prices rose* marginally on the week.

Although some analysts point out that investors have yet to acknowledge the effects of the extra supply on the government bond market due to the fundraising for Kobe's reconstruction, and the rise in inflation caused by the damage, the case for a panicky sell-off may be smaller than initially feared.

Inflationary factors undeniably exist. The destruction of the Kobe area disrupts the flow of goods, hence increasing transportation costs.

However, it is important to note that factors which offset such pressures also exist. First, the earthquake's overall impact on consumption in the Kobe region is expected to be negative. Mr Jeffrey Young at Salomon Brothers in Tokyo points out that although consumption is expected to rebound following the initial decline as people try to restore their homes, the ultimate rise in new debt due to the damages is likely to dampen active consumption beyond their basic needs. The fall in consumption in turn is likely to point to a rise in personal savings, thus also dampening the upward pressure on rates.

Second, the rebuilding of Kobe's infrastructure and the surrounding areas will not happen in a few months. The reconstruction of buildings, bridges, roads, houses, and *ports will progress gradually*, and will likely take two to three years, or even longer.

Third, if the government chooses to use its foreign exchange reserves to finance the reconstruction, the upward pressure on long-term yields could be alleviated. The Bank of Japan has accumulated dollars as a result of its efforts to suppress the appreciation of the yen, and at the end of last November held $122bn in foreign exchange reserves.

Last, the stabilising of US long-term interest rates is also expected to affect the Japanese bond market. Mr Dick Beason, economist at James Capel in Tokyo, reckons that with the influence of the US bond market on Japanese bond prices strengthening over the past few years, the anti-inflationary policy of the US Federal Reserve Board will in effect also help contain Japan's long-term interest rates.

But this is not to say effects of the earthquake will have no impact on the bond market. The consensus view among most economists is that the extra supply on the government bond market and the increase in inflation will contribute to a gradual rise in long-term yields over the coming year.

Salomon Brothers in Tokyo expects 10-year compound yields to rise to 5.2 per cent by the year-end, raising its estimate from 4.9 per cent. In a worst case scenario, where a serious lack of supply in goods produces a rise in inflation, it predicts that bond yields could rise as high as 5.5 per cent.

Although GDP growth has been revised downwards for the next fiscal year, Salomon expects the growth to come in fiscal 1996, and has revised its estimates from 2.8 per cent to 3.3 per cent.

James Capel projects a sell-off during the course of the year, pushing long-term yields to around 5.4 per cent. It expects overall government funding to total Y21,000bn, with the extra government bond issuances due to earthquake repairs estimated at Y3,000bn.

Meanwhile, Goldman Sachs in Tokyo, has maintained its original estimates for the bond market set before the Kobe earthquake, and still sees 10-year bond yields rising to 4.9 per cent by the end of June and 5.1 per cent by the end of the year. While it estimates the government's extra funding needs from the earthquake to total Y1,000bn, it sees the impact on the bond market as negligible.

It expects the yield curve to steepen during the first two quarters. However, it sees short-term interest rates gradually rising, eventually flattening the yield curve.

Emiko Terazono

Estimates for earthquake damage and its impact on the economy

	Damage (Y '000 bn)	Impact on fiscal year 1995 GDP (%)
Nomura Research Institute	4-8	+0.5-1.0
Long Term Credit Bank Research Institute	3-4	+0.4-0.8
Tokai Research Institute	5	n.a.
Morgan Stanley	4	+0.6
Goldman Sachs	4.1-5.8	neutral
Salomon Brothers	7	-0.3

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Sudwestdeutsche LB(i)	200	Feb.1997	7.875	100.03R	7.858	+20(MI 2yr)	UBS
Santander Fin. Issuances‡	150	Sep.2004	(b,s)	99.787R	-	-	Salomon Brothers Intl.
Kingdom of Belgium	500	Feb.2000	8.25	99.90R	8.275	+27(MI 5yr)	JP Morgan Securities
SBC, Jersey Branch	200	Feb.1999	8.00	99.73R	8.082	+16(l)	Swiss Bank Corp.
Beta Finance Corp.	200	Feb.1997	8.00	99.93R	8.039	+34(MI 2yr)	Morgan Stanley Intl.
Crédit Foncier de France	250	Feb.1998	8.00	99.8325R	8.065	+30(7¾%-97)	Paribas Capital Markets
Caisse Francaise de Dev'ment	290	Mar.2000	8.00	99.961R	8.010	+20(7¾%-00)	BZW
YEN							
Mitsubishi Estate Co.(s)★	10bn	May.2001	4.40	101.825	-	-	Nikko Europe
Mitsubishi Estate Co.(s)★	10bn	May.1999	3.95	101.10	-	-	Mitsubishi Finance Intl.
STERLING							
Service Corp. International	265	Jan.2002	9.625	100.00R	9.625	+75(9¾%-02)	JP Morgan Securities
SNCB(e)	200	Feb.2020	9.375	99.94R	9.381	+60(8¾%-17)	SG Warburg Securities
Japan Finance for Muni.Ents.	130	Feb.2005	9.125	99.217R	9.248	+31(8½%-05)	CS First Boston
Daily Mail & General Trust(s)	100	Sep.2005	9.75	99.684R	9.816	+76(9½%-05)	Merrill Lynch Intl.
D-MARKS							
Toyota Motor Credit Corp.	500	Feb.2000	7.25	99.85R	7.287	+11(7%-99)	Dresdner/ Merrill Lynch
World Bank(c)	500	Oct.1999	7.25	99.93R	7.254	+5(6¾%-99)	Deutsche/ M.Stanley
Exim Bank of Japan	750	Feb.2005	7.75	99.80R	7.716	+20(7⅜%-05)	Commerzbank
ING Bank	500	Feb.2000	7.375	99.88R	7.405	+23(7%-99)	Bayer.LB/ Merrill Lynch
SWISS FRANCS							
NEC Corp(a,s)★§	500	Mar.1999	1.00	100.00	-	-	Swiss Bank Corp.
GECC	250	Mar.1998	5.375	102.65	4.413	-	Merrill Lynch Cap.Mkts.
City of Vienna★	100	Mar.2000	5.50	102.60	4.901	-	von Ernst/Merrill Lynch
ITALIAN LIRE							
EBRD	150bn	Feb.1998	zero	81.705	9.045	-	BNL
Landwirt. Rentenbank	150bn	Mar.1998	11.00	101.216	10.51	-	BCV San Paolo
Deutsche Bank Finance	150bn	Feb.1997	zero	82.838	10.00	-	Deutsche Bank London
GUILDERS							
Nederlandse Waterschapsbank	250	Mar.2001	7.625	99.90R	7.646	+17(6¼%-01)	Rabobank Nederland
LUXEMBOURG FRANCS							
Eurofima(f)	2bn	Mar.2005	8.25	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank Nederland(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayerische Landesbank(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DSL Bank Luxembourg(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DSL Finance	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Cregem International Bank(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GECC(s)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European Investment Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bacob Overseas(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECUS							
GECC	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayerische Vereinsbank(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
European Investment Bank	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Crédit Local de France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sudwest. LB Capital Mkts(f)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRALIAN DOLLARS							
Toyota Motor Credit Corp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
New Sth.Wales Treasury Corp.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
HONG KONG DOLLARS							
EBRD(g)	500	Jan.2000	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. [illegible]

مصورة عن الأصل

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

■ TODAY
Abbey Natl.Stlg.Cap 10⅜% Sb Gtd Bd '2 £1037.50
BOC 7% Gtd Bd 1997 $350.0
Brad.& Bingley Bldg Scty FRN Jan '95 £160.98
Canadian Pacific C$0.08
Do Non-Cm Pf C$0.02
Do Stlg Non-Cm Pf 0.666667p
Do Stlg Non-Cm Pf (Int Trans) 0.666667p
Daiwa O'seas Fin Gtd Am. FRN '04 $16158.26
Dow Chemical $0.65
Nationwide Bldg Scty 3⅞% IL Ln '21 £2.9226
Powerscreen Int 2.2p
Redland Cap 7¼% Cv Bd '02 £72.50
Sumitomo Metal Inds FRN '97 Y198230.0
Tesco 10⅜% Bd 2002 £103.75
Texas Instruments $0.26
Throgmorton Dual Tst 1.75p
Toyobo FRN Jan 1998 Y89194.0
Do FRN Apr 1998 Y89194.0
Whitecroft 1.5p
Do. 5.1% Pf 2.55p
Woolwich Bldg Scty FRN '98 £157.10

■ TOMORROW
ABI Leisure 2.71p
Abtrust Pf Inc Inv Tst 3p
Airflow Stream. 10% Pf 5p
Allied Irish Bk Sb Prim Cap FRN $158.13
Azlan 1p
Bank Nova Scotia Fltg Rate Db 2000 £155.33
Beattie (J) 6% Pf 2.1p
Bentalls 5½% Pf 1.925p
Bridport-Gundry 1.75p
Britannia Bldg Scty 13% Perm Int Brg £65.0
British Airways 3.5p
Brit. Petroleum 8% Cm 1st Pf 2.8p
Do. 9% Cm 2nd Pf 3.15p
Campbell Soup $0.31
Citicorp Bank. Gtd FRN Jan '97 $148.54
Collateralised Mort. Sec (No 4) Mtg Bckd FRN '27 £98.14
Do (No 8) Mtg Bckd FRN '27 £111.69
Do (No 12) Class A Mtg Bckd FRN '28 £96.07
Control Techniques 7p
Critchley 3p
Daiwa Int Fin (Cayman) Sb FRN '01 $1530.14
Derwent Valley 10⅛% 1st Mtg Db '19 £2.9404
Dewhirst 9¾% Pf 4.875p
Dixons Cv Pf 2.5p
East Surrey Hldgs 5p
Eng. & Scottish Invs 8¼% Db '23 £4.125
Do 11% Db 2014 £5.50
First Natl. Fin Corp 7% Cv Pf 3.5p
Do 6.3% Cv Pf 3.15p
Fleming Jap. Inv Tst 5% Pf 1.75p
Gartmore Euro. Inv Tst 0.9p
Global Stock Invs Ptg Pf $ Cash Port. $0.10
Do Global High Inc $0.14
Do UK High Inc 8.5p
Govett High Inc Inv Tst 2.01p
Granada Cv Pf 3.75p
Guaranteed Export Fin FRN '95 £292.62
Hanson 9½% Cv Bd '06 £47.50
Haslemere Ests. 10½% 1st Mtg Db '16 £5.25
Hemingway Props. 10⅜% 1st Mtg Db '23 £5.1875
Do 7½% Un Ln '27 £3.75
Henderson Highland Tst 1.45p
Henderson Strata Invs 0.5p
Hopkinsons 5¼% Cm Pf 2.625p
Iceland (Rep of) 14½% Ln '16 £7.25
Italy (Rep of) FRN '97 $312.65
Ivory & Sime 2.25p
Land Sec 10% 1st Mtg Db '30 £5.0
Do 9⅜% Cv Bd 2004 £234.375
Leeds & Holbeck Bldg Scty 13⅜% Perm Int Brg £66.875
Liberty 6% Cm Pf 2.1p
Do 9½% Pf 4.75p
London Clubs Int 4.25p
Lowes $0.045
Lynton 10¼% 1st Mtg Db '17 £5.125
MEPC 14.75p
Macallan-Glenlivet 7% Pf 3.5p
Malaysia 10¾% Ln '09 £5.375
McKechnie 6% Pf 2.1p
Morland 7.65p
NHL (1) Dfd Int Mtg Bckd FRN '28 £114.22
Nat Australia Bank FRN '97 $284.17
Nat West Bank Var Rate Cap Nts 2000 $1568.47
New City & Comm. Inv Tst Ret. Price IL Db '08 £2.628
North Atlantic Small. Co's Inv TstCv Un Ln '13 0.5p
Orbis 0.125p
Peabody Donation Fd 10¼% 1st Mtg Db '18 £5.125
Premier Grp R0.04
Pressac 10½% Pf 5.25p
Ptarmigan Int Cap Tst 3¼% Bd '09 £81.25
Randfontein Ests. R0.95
Rank Org Cv Pf 4.125p
Residential Prop. Sec No 4 A1 FRN '23 £1542.97
Do Class A2 £1584.78
River Plate & Gen Inv Tst 8.35p
Royal Bank Can. Fltg Rate Db '05 $55.0
SCECorp $0.25
Schroder UK Growth Fd 1.5p
Scottish East. Inv Tst 8½% Db 2024 £4.25
Do 9¾% Db 2020 £4.875
Do 12⅜% Db 2012 £6.1875
Scottish & Newcastle 7% Cv Pf 3.5p
Secured Loan Fin No 1 AB FRN '18 £71.17
Do Mezzanine 2018 £190.82
Seeboard 4p
Seton Healthcare 2.2p
Shires Inv 4.2p
Skipton Bldg Scty 12⅞% Perm Int Brg £64.375
Smith & Nephew 5½% Cm Pf 1.925p
Smith New Court Cv Pf 3.25p
Smiths Inds 11¼% Db 95/2000 £5.625
S & U 31½% Pf 1.96875p
TGI 0.85p
3i Grp 2.8p
Temple Bar Inv Tst 7% Pf 2.45p
Tesco 4% Un Deep Discount Ln '06 £2.0
Throgmorton Tst 7¼% 1st Pf 2.5375p
Tinsley Robor 0.333p
TMC PIMBS 1st Fin Nts Iss No 2 Jul '28 £157.35
Do No 5 Apr 2028 £75.70
Tor Inv Tst 10p
Toronto-Dominion Bank C$0.22
Trafalgar House Cv Pf 6.049315p
Transamerica $0.50
Transport Dev 12½% Un Ln '08 £6.25
TR High Inc Tst 1.5p
Trinity Hldgs 2.25p
USF & G $0.05
Vendome Luxury Units 2.8p
Wace 8% Pf 4p
Wells Fargo FRN 2000 $55.56
Western Areas Gold R0.90
Whitbread 11⅝% Db '11 £5.8125
Widney 7% Cm Pf 2.45p
Wilshaw 0.25p
Wolseley 12p

■ WEDNESDAY
FEBRUARY 1
Aberdeen Corp Gass Anns 12.5p
Acal 2.44p
Allied Lon. Props 10% Cm Pf 5p
American Tst 5% Cm Pf £1.75
Ameritech $0.50
AT & T $0.33
Attwoods 3.25p
BBA Grp 5% Pf 1.75p
BLP Cv Pf 4p
BOC 12.4p
Bell Atlantic $0.69
BellSouth $0.69
CALA 4% Pf 1.4p
Caskel 0.4p
Chelsea Bldg Scty Sb FRN 2004 £3812.35
Consolidated 4% Ln £2.0
Cons Buffontein R0.045
Cooper (F) 1.7p
Dalgety 4.85% Pf 2.425p
De Beers 40% Pf R1.0
Do 8% Gross 2nd Pf R0.04
Dudley Borough Council 7% Ln 2019 £3.50
Dunedin Inc Growth Inv Tst 3½% Pf £1.75
Edinburgh New Tiger Tst 0.4p
Fleming Mercantile Inv Tst 1.675p
Do 2.8% Pf 1.4p
Do 3½% Pf 1.75p
Gold Fields Coal R0.65
Govett Strategic Inv Tst 5% Pf 1.75p
Griqualand West Diamond R0.21
Healthcare Operators 1 A Mtg Bckd FRN '21 £155.38
Jenners, Princes St. Edinburgh 10% Pf 5p
JLI 1.65p
Law Debenture 3.85% Pf 1.925p
Lewis (John) 5% 1st Pf 1.75p
Do 7% Pf 2.45p
Lincoln National $0.43
London Indl 3p
Lynx 1.04p
Manchester 3% 1891 Rd £1.50
Merchants Tst 3.65% Pf 1.825p
Met. Water New River 3¾% Db £1.50
Monks Inv Tst 2p
Murray Enterprise 1.4p
Next 6% Pf 2.1p
Do 7% A Pf 2.45p
Do 10% B Pf 1.75p
Northamber 0.5p
North East Water 4¼% Db '12 £2.125
Do 5¼% Db 2012 £2.625
Do 12% Db 2004 £6.0
Nynex $0.59
Pacific Telesis $0.545
Quebec Central Rail. 1st Mtg 4% Db £2.0
Shell Trans 7% Cm 2nd Pf 2.45p
Southwestern Bell $0.395
Torchmark $0.28
US West $0.535
Whitbread 4½% 2nd Pf 1.575p
Witan Inv 2.7% Pf 1.35p
Do 6¾% Db 90/95 £3.375
Young & Co's Brew. 4.2% Cm Pf 2.1p
Do 9% Cm Pf 4.5p

■ THURSDAY
FEBRUARY 2
Chamberlin Phipps 2.7p
London Elec 9.5p
Plysu 2p
Walker Greenbank Cv Pf 3.25p

■ FRIDAY
FEBRUARY 3
Blacks Leisure 0.75p
Bogod 0.1p
Do A Rest/Vtg 0.2p
Boots 5.35p
Bradford & Bingley Building Society FRN Feb '99 £159.11
Cranswick 2.45p
Eldridge Pope A Rest/Vtg 2.6p
ERF 2p
EuroDollar 1.6p
Greene King 4.1p
Lowndes Lambert 2.75p
Metrotect Inds 1.15p
Meyer Int 4.2p
Pall Corp $0.105
Scapa 1.7p
Sidlaw 6.5p
Thames Water 8.2p
Wall Street Fin & Sec 3¾% Cv Bd '04 $37.50
Whitbread 5.35p

■ SATURDAY
FEBRUARY 4
Warburg (SG) 6½% Cv Bd '08 £32.50

UK COMPANIES

■ TODAY
COMPANY MEETINGS:
Kleinwort European Privatisation Inv Tst, Barbican Hall, Barbican, E.C., 10.30

BOARD MEETINGS:
Finals:
Caldwell Invs
Motor World Grp
St. Andrew Tst.
Interims:
Continental Foods
Filtronic Comtek
Haynes Publishing
Property Tst
Radiant Metal Finishing
TR Smaller Co's
Wintrust
Zetters

■ TOMORROW
COMPANY MEETINGS:
Blick, Blick House, Bramble Road, Swindon, 12.00
Compass, Queens Wharf, Queen Caroline Street, W., 3.00
Johnson & Firth Brown, Royal Victoria Hotel, Victoria Station Road, Sheffield, 11.45
Sidlaw, Norton House Hotel, Edinburgh, 12.00

BOARD MEETINGS:
Finals:
Fleming American Inv Tst
Gardiner Grp
Ivory & Sime ISIS Tst
Interims:
Adscene
Aromascan
BCE Hldgs
Budgens
Edinburgh Smaller Co's Tst
Excalibur Grp.
FII
Farepak
Games Workshop
Union Square

■ WEDNESDAY
FEBRUARY 1
COMPANY MEETINGS:
Chemring, 1590, Parkway, Whiteley, Fareham, 2.30
Hanson, Barbican Hall, Barbican Centre, E.C., 11.00

BOARD MEETINGS:
Finals:
Heavitree
Standard Platforms
Interims:
Bucknall Grp.
TR City of London

■ THURSDAY
FEBRUARY 2
COMPANY MEETINGS:
Bibby (J), Haberdashers Hall, Stainings lane, E.C., 9.30
Quadramatic, Crossley House, Belle Vue Park, Hopwood Lane, Halifax, 11.30
Western Selection, Honourable Artillery Co., City Road, E.C., 10.00

BOARD MEETINGS:
Finals:
Edinburgh Java Tst
Fyffes
Gartmore BR. Inc. & Growth
P & P
Porvair
Updown Inv
Interims:
Allied Leisure
Kleinwort High Inc Tst

■ FRIDAY
FEBRUARY 3
COMPANY MEETINGS:
Eldridge Pope, Weymouth Avenue, Dorchester, 12.00
Vaux, The Swallow Hotel, Seaburn, Sunderland, 12.00

Company meetings are annual general meetings unless otherwise stated.

Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.

CONFERENCES & EXHIBITIONS

FEBRUARY 2
Impact of Derivatives on Securities Markets
A high-level conference to examine the impact of the growth of derivatives on securities markets. Speakers will include senior representatives from LIFFE, SOFFEX, London Stock Exchange, J P Morgan Securities Ltd, Union Bank of Switzerland, Deutsche Borse AG and Banque de France.
Contact: Arielle Savona, Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 353 2791
LONDON

FEBRUARY 3
Trade Associations for the 21st Century
CBI Conference, including speakers from the Department of Trade and Industry and major trade associations will address practical issues and encourage exchange of best practice. Address by Michael Heseltine.
Contact: Nicola Martin, CBI Conferences
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

FEBRUARY 6/7
Introduction to Foreign exchange and money markets
Highly participative training course covering traditional FX and money markets featuring WINDEAL a realistic PC based dealing simulation. For Corporate treasurers, bank dealers, marketing executives, financial controllers, systems and support personnel. IEP 520 + VAT.
Lywood David International Ltd.
Tel: + 44 1959 565820
Fax: +44 1959 565821
DUBLIN

FEBRUARY 8-10
Swap Techniques
A course for those new to this market and who will be in a trading or risk management role. It assumes a knowledge of the financial markets and covers the major swap types and variations plus pricing hedging and credit risk considerations. Swaps and financial mathematics; Interest rate swaps and the FRA market; Non generic swap structures; Valuing swap positions; Estimating potential exposures. £825 +VAT.
Contact: BPP Bank Training - John Vernon
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 9/10
Practical Dealing course - Foreign exchange
Training in Spot and Forward forex dealing for trainee/junior dealers and Corporate treasury personnel. Highly participative course including WINDEAL (PC Windows-based dealing simulation). Training effected by practitioners with many years' market experience. IEP 520 + VAT.
Lywood David International Ltd.
Tel: + 44 1959 565820
Fax: +44 1959 565821
DUBLIN

FEBRUARY 13/14
Intellectual Property Rights in Multi-media and Telecommunications
A CommEd Conference. Qualifies for points under the Law Society's Continuing Professional Development Scheme.
Contact: CommEd
Tel: (071) 274 8725
LONDON

FEBRUARY 13-15
Facility Documentation and Legal Issues
Reviews the legal principles and practical issues associated with lending, guarantees and security documentation. Loan documents and facility letters; Dealing with defaults; Litigation and insolvency. £795 +VAT.
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 14
8th Oil Price Seminar - Influences on Future Markets
This popular event of IP Week focuses on the influences of costs on prices, the impact of US environmental laws on oil markets and the future evolution of international oil markets. Plus Exhibits and NYMEX sponsored Wine Reception.
Contact: Catherine Cosgrove
Tel: 0171 467 7111 Fax: 0171 255 1472
LONDON

FEBRUARY 14/15
Selling Skills for Treasury Staff course
The Selling Skills for Treasury Staff is designed to introduce the subject of selling techniques to corporate dealers and customer services people. The course looks at the need to empathise and then identify the most appropriate products. The linking of products to the customers' situation. Leading to greater confidence when dealing with the customer. £520 + V.A.T.
Lywood David International Ltd
Tel: 0959 565820 Fax: 0959 585821
LONDON

FEBRUARY 15-17
Credit Training Workshops
Thomson BankWatch, Inc. leader in global bank risk analysis, is running a series of credit training workshops. Topics being covered are: Emerging Markets Sovereign Risk Analysis, Latin American Banks, Introduction to Banking Systems and Banks Emerging Markets of Asia. For full details please contact Terry Brunne 0171-353 5548 or Fax: 0171-815 0408
LONDON

FEBRUARY 16
Collaboration for Competitive Advantage: The Changing World of Alliances and Partnerships
The imperatives of competing in global markets through strategic development of their businesses means that many more companies have to consider whether alliances or partnerships must be among the routes to greater sustainable profits.
Contact: Jo Mainee, The Strategic Planning Society
Tel: 0171 636 7737 Fax: 0171 323 1692
LONDON

FEBRUARY 16
Major Overseas Projects
A one-day seminar on the AlpTransit tunnels, the Oresund bridge and tunnel, Dublin's Light Rail project and the Copenhagen Mini-Metro. Project Directors are flying in to present the opportunities for UK companies.
Contact: Hazel Reddin
Tel: 091 235 7297 Fax: 091 235 7288
NEWCASTLE

FEBRUARY 17
Local Authority Financing - The Way Forward
This event will examine the financial community's analysis of local authorities and their approach to credit assessment. Areas for discussion include ultra vires and consequences of ultra vires actions, banks' perspectives, deferred purchase agreements, borrowing options the history of local government borrowing and the way forward for local authorities. CPD 5 hours.
Contact: Helen Houseman, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

FEBRUARY 20
FT London Motor Conference
Block Exemption: Europe's New Order for Car Retailing
The conference will focus on block exemption, consider the changing relationship between vehicle manufacturer and distributor and address the question of competitiveness in the components sector.
Enquiries: Financial Times
Tel: 0181 673 9000 Fax: 0181 673 1335
LONDON

FEBRUARY 20 - 21
Business Process Re-engineering (BPR)
Leading seminar series on Business Process Re-engineering. Enhanced 1995 programme includes new sections on self-managed teams and radical BPR. Coaching style of presentation. Based on 150 successful BPR projects. 60 organisations in the private & public sectors attended in 1994. Repeated March 20-21.
Contact: Richard Parris, Vertical Systems Intercede Ltd. Tel: 01455-250266 Fax: +44 1455-890821
LONDON

FEBRUARY 21
EC Competition Law Workshop CPD Accredited
Failure to take EC law into account could cost many millions of pounds in fines, together with the possibility of substantial claims in damages by third parties suffering loss. This workshop provides a comprehensive and practical introduction to the subject.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

FEBRUARY 21-22
Understanding Company Reports and Accounts
An in-depth review of the interpretation and evaluation of Limited Company Accounts. This course covers Assets, Liabilities, Provisions and Contingencies. Share and Loan Capital, Reserves, Mergers and Acquisitions. Turnover, Profits, Taxation, Dividends and Earnings per share. £395. 2 days.
Contact: Fairplace
Tel: 0171 329 0595
LONDON

FEBRUARY 22
The Transaction Superhighway Reaching Customers Through Screens
CBI/IMRG Conference will set out the key issues associated with the development of the transaction superhighway, its implications and the likely timescales or events. Speakers to specialise in all aspects of interactive media. The conference is accompanied by an Applications Gallery.
Contact: Nicola Martin, CBI Conferences
Tel: 0171 379 7400 Fax: 0171 497 3646
LONDON

FEBRUARY 22-23
Pay Appraisal and Career Development
A practical guide to the latest techniques for achieving excellent employee performance in the delayered organisation. This important two-day conference explores how to radically improve your business performance by linking individual targets to corporate objectives through effective reward, appraisal and motivation systems.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

FEBRUARY 22-24
Project Finance
The course looks at the funding and risk management skills required in project structuring. Assessing project vulnerabilities; Cashflow and sensitivity analysis; Project funding structures; Documenting complex structures; Modern trends in project financing. £795 plus VAT.
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

FEBRUARY 23-24
Oil & Caviar in the Caspian
Can you afford to miss this major international conference covering International Boundaries, Oil, Pipelines, Non-Oil Business Opportunities, Environment, Political Stability. Speakers include 6 Cabinet Ministers, World Bank, DTI, AD Little. Official Government Delegations, Oil/Non-oil Companies, Lawyers, NGOs, academics and journalists are attending. Co-sponsored by BP/Statoil/Mobil.
Contact: Menas Associates
Tel: 0181-520-8067 Fax: 0181-520-1688
LONDON

FEBRUARY 23-24
Accounting Skills for the Non-Financial Manager
Understanding the essentials of accounting and financial analysis. This course covers Basic Accounting Principles, Financial Statements, Profit/Loss Account, Balance Sheet, Cashflow, Budgeting, Management Accounts, Financial Evaluation, Key Ratios, Sensitivity Analysis, the 'Language of Finance'. £395. 2 days.
Contact: Fairplace
Tel: 0171 329 0595
LONDON

FEBRUARY 27-28
Cashflow Analysis
Understand cashflows and their structure and analysis. This course covers Source and Application of Funds. Types of Cashflow Statements, Interpretation of Cashflow and Accounts, Debt Servicing Capacity. There are also Practical Examples and Case Studies. £395. 2 days.
Contact: Fairplace
Tel: 0171 329 0595
LONDON

FEBRUARY 28
Czech Republic - New Business and Investment Seminar on BRNO and South Moravia.
Business and investment opportunities for UK exporters, investors, manufacturers, property developers, retailers and service sector businesses, in and around the second Czech city, Brno, will be presented by Czech municipal, Chamber of Commerce and company representatives as well as CzechInvest and the Czech Technology Park, Brno. Sponsored by Brno Fairs and Exhibitions and Bovis.
Contact: Robert Anthony, London Chamber
Tel: 0171 203 1828 Fax: 0171 489 0391
LONDON

FEBRUARY 28 - MARCH 1
CTI and Beyond
As the worlds of computing and telephony move ever closer, Computer Telephone Integration is becoming relevant to almost every organisation. This seminar includes case studies of users of CTI technology, and overview of the technology and future of CTI, and examinations of CTI implementation and products.
Contact Unicom Seminars, 0895 256 484, fax 0895 813 095
LONDON

FEBRUARY 28 - MARCH 1
Trawling the Internet: The Commercial Impact and Opportunities
A timely overview outlining the benefits of Internet services to the professional and commercial organisation. Users and vendors of Internet products and services, politicians, computer multinationals explain their strategy and vision of the future.
Contact Unicom Seminars
Tel: 0895 256 484, fax: 0895 813 095
LONDON

FEBRUARY 28, 1 & 2 MARCH
Introduction to Petroleum Exploration for Non-Geologists
3-day course designed to provide non-technical staff in expl. & prod. cos., or organisations with related interests, with an overview of the occurrence of petroleum in nature, and an intro. to expl. & dev. techniques. Run by IAPEC, at Geological Society.
Tel: 0171 434 9944 Fax: 0171 439 8975
LONDON

MARCH 1
Doing Business on the Internet - A Manager's Guide
This non-technical one-day seminar shows you how to creatively use the Internet to increase profits. Demystifying technical jargon, it focuses on those applications with real business value and provides numerous case studies. Practical guidelines are offered on developing your Internet business plan as well as controlling costs.
Contact: Gareth Jones, Monadnock
tel 0181 871 2546 fax: 0181 871 3866
LONDON

MARCH 1
Achieving Secure Guarantees
An event designed for the legal and banking industries which will help you to review the nature and construction of guarantees, explore alternative industries, recognise the danger areas, calculate the risks, understand the intricacies of ultra vires and identify who is empowered to give guarantees and under what circumstances. CPD 6 hours.
Contact: Helen Houseman, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 1 & 2
Investment Training Seminars
Day 1 - Trading Tactics - an introduction to investment and risk management.
Day 2 - Technical Analysis - the mystery of the subject unveiled. Each course £170 plus VAT. both courses £300 plus VAT.
Contact: Synergy Software Limited
Tel: 0582 424282 Fax: 0582 482741
LONDON

MARCH 1-2
Risk Assessment of Emerging Opportunities in UK Private Finance
SMi Private Finance Series: highly focused events on PFI Risk Assessment, with the newest case studies for Private Finance in Local Authorities, Transport Infrastructure, Core NHS Services and Information Technology. Latest from HM Treasury, Government Panel and the key public and private sector players.
Contact: Rachael Dexing, SMi
Tel: 0171 417 7790 Fax: 0171 417 7791
LONDON

MARCH 2
CHINA: The Land of Opportunity
A unique opportunity for key decision makers to examine some of the financial, commercial, legal and cultural issues crucial to conducting successful business in China.
Contact: *itdl*, SECOAT, Kent International Airport, Manston, Kent CT12 5BP
Tel: 01843 822022 Fax: 01843 821228
LONDON

MARCH 2
Managing New Product Development for Business Turnaround
One day conference exploring how design management is fundamental to the manufacturing process. Organised by the Design Museum and sponsored by the DTI.
Contact: Conference Secretariat: Northern Conference Bureau
Tel: 01625 502600 Fax: 01625 502900
Conference Centre MANCHESTER

MARCH 2
Superhighway or superhype?
This one-day conference will cut through the media hype surrounding the Information Superhighway and provide a clear guide to the real business benefits or recent developments in multimedia technologies. The conference is designed to give a clear introduction to the subject for the non-IT specialist.
Contact: Institute of Directors
Tel: 0171 730 0022
LONDON

MARCH 2
Contemporary Europe 1995 - The State of the Union
A series of 12 seminars on political, economic and social developments within the European Union. Presented by London School of Economics lecturers and aimed at professionals. Held on Thursday evenings starting March 1995.
Contact: LSE Continuing and Professional Education Unit
Tel: 0171 955 7227
LONDON

MARCH 6 & 7
The Changing Role of the Company Secretary - Latest Information on Compliance & Best Practice
Organised for ICSA Irish Region, this event will pay particular attention to company law policy, corporate governance and the Cadbury Report/the Annual Report, pensions, employment law, company public image and the market place - Irish Stock Exchange, insider dealing, price sensitive information and flotation of the Irish Permanent Building Society. ICAL CPD 13 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
DUBLIN

MARCH 8-9
Business Performance Measurement:
Transforming corporate performance by measuring and managing the drivers of future profitability. This two-day conference explores relevance and practicality of developing new "corporate dashboards", which include non-financial indicators, such as customer satisfaction, quality and benchmarking.
Contact: Business Intelligence
Tel: 0181-543 6565 Fax: 0181-544 9020
LONDON

MARCH 13
The Foreign Exchange Market: Rates, Risks and Capital Concerns
The fourth annual Dow Jones Telerate foreign exchange conference is built around the theme of foreign exchange market risk and the capital required to protect market participants. Speakers will include Michael Foot, Bank of England and senior representatives from the European Commission, JP Morgan, Hong Kong Bank, Bankers Trust.
Contact: Arielle Savona, Dow Jones Telerate
Tel: 0171 832 9737 Fax: 0171 353 2791
LONDON

MARCH 15-16
Global Securities Administration
GSCS Benchmarks and ICB Magazine present this conference focusing on business and operational issues of securities processing in international markets. Sessions include service and counterparty assessment and market mechanisms. £650 + VAT.
Contact: Françoise César
Tel: 0171 609 8661 Fax: 0171 609 0139
LONDON

MARCH 16
How to Conduct Planning Appeals CPD Accredited
The Planning and Compensation Act 1991 and new policies emerging from central government have created scope for conflict between developers and planning authorities which could lead to more appeals and inquiries. This conference is designed for those involved in the planning process.
Contact International Professional Conferences Ltd on 061 445 8623
LONDON

MARCH 19-31
Retail & Wholesale Banking Seminar
2 week residential seminar for bankers from the emerging markets. Week 1 - retail banking, payments systems, credit assessment & trade finance. Week 2 wholesale treasury, FX and MM and derivative markets. Highly participative training seminar, incl. educational visits to financial institutions in both weeks.
£3,750 + VAT. fully inclusive tuition & accommodation. (15% discount 2+)
Lywood David International Ltd. Book by Fax: +44 1959 565821
CROYDON & LONDON

MARCH 21
Data Protection - A User's Guide to the Law and Practice
Latest developments since Data Protection Act 1984. An explanation of present law; latest pronouncements from the Data Protection Registrar; EU developments. Parallel afternoon sessions for financial services/direct marketing, covering self-regulation, customer service and confidentiality, transfer of data and list broking plus case study on *Unique Identifiers*. CPD 5 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

MARCH 22
Presentations for Finance Professionals
Sharpen your presenting skills. Businessmen, designers, actors and stand-up comedians show you how to package your figures for the most difficult executives, when to use humour, charts – how to give life to your presentations. Keynote speaker: Alan Dibbo, CIM, Royal Court Theatre.
Contact: Executive Presentations
Tel: 0171 251 5053 Fax: 0171 490 0566
LONDON

MARCH 23-24 1995
PlanEcon Conference Announcement
Transition & Recovery in Eastern Europe and the Former Soviet Republics and East European & Former Soviet Energy Sector: Recovery in Sight? PlanEcon, DRI/McGraw-Hill conferences with Boris Fedorov, Petr Bod, and Terry Adams.
Contact Corinne Redonnet on + 44-81-545 6212.
LONDON

MARCH 27-28
Windows™ in Finance
Now in its third year, this Microsoft endorsed event will update you on the very latest developments in Windows based solutions for the financial industry. The event includes a comprehensive free-entry exhibition, plus an executive level conference.
Contact: Charlotte Stone
Tel: 0171 242 1548 for more details
LONDON

MARCH 28-29
Electronic Messaging
Electronic messaging is one of the most important requirements to survive in an increasingly dynamic market and to play a role in its future. Topics include: interconnecting existing messaging communities; workgroup computing; mobile and remote workers; electronic messaging and EDI; desktop applications; information security standards.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 28-29
The Role of IT in BPR: Enabler Versus Dictator
This seminar examines intersections and synergies between BPR and information technology, and investigates pros and cons of application-pull versus technology-push. It identifies the critical success factors in BPR; explains the practical steps to exploit the synergies; analyses the role of the IT community in BPR. Followed by a separate two-day workshop: "Aligning IT and BPR: building the enterprise model."
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

MARCH 29
UK Coal - A Fresh Start
A one day seminar for the coal industry, discussing vital issues as the industry moves into the private sector. To take part in a key debate, contact:
Carol Smith, McCloskey Coal Information Service, PO Box 15, Petersfield, Hants GU32 3RG
Tel: 01730 265095 Fax: 01730 260044
LONDON

MARCH 29-30
Strategies for Implementing Re-engineering programmes: Methods, capabilities and software tools to support the re-engineering life cycle
Presents a practical guide to managing the analysis, redesign, modelling & implementation phases of process re-engineering. Outlines how to develop new skills & capabilities, & how to apply the latest software tools & methodologies.
Contact: Business Intelligence
Tel: 0181 543 6565 Fax: 0181 544 9020
LONDON

MARCH 30
Banks, The City and Politics
The banks and: the economy; industry; the press; the government. The Chartered Institute of Bankers' first annual conference is sponsored by AT&T and will be chaired by Sue McGregor. Speakers include Eddie George, Tom Farmer and Christopher Fildes.
Contact: Gillian Wright, CIB
Tel: 0227 762600 Fax: 0227 763788
LONDON

APRIL 20-21
IT Skills Acquisition
Determine the optimum mix of skilled resources to match information technology to your business needs, for competitiveness and control. Strike the right balance between IT and business skills and multiskill effectively. Avoid unnecessary costs, maximise use of the IT marketplace and ensure successful outsourcing strategy.
Contact: Gareth Jones at Monadnock
Tel: 0181 871 2546 Fax: 0181 871 3866
LONDON

APRIL 24-27 & SEPTEMBER 11-14
Fundamentals of Fund Management (Residential)
Suitable for all those who require a thorough understanding of the overall investment management process - operations personnel, regulators, consultants, accountants, traders and bankers - wishing also to take advantage of the intensive learning environment provided by a country residential programme. Particular emphasis will be placed on constructing a portfolio and managing it.
£1,850 plus VAT Director: Dr Terry Watsham
Contact: BPP Bank Training - Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 24
What's New in Insurance Law?
An update on the most current legal issues affecting the insurance industry. Topics include misrepresentation and non-disclosure; bad faith - the duty to defend; what does the policy really say?; coping with insolvency; Third Party Act 1930; new factors affecting claims litigation; duties and responsibilities of agents and combatting fraudulent claims. CPD 6.5 hours.
Contact: Helen Houseman, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

APRIL 25-26
Agent Software
The first commercial UK event to look at agent software technology. Agents can keep track of stock levels for inventory control, or share prices, to provide opportunity advice; seek out information for the user or sort incoming mail. This is becoming a potentially invaluable service given the increasing amount of information available with the growth of the Internet. Users, suppliers and developers explain their experiences and vision of how this technology will work for you.
Contact: Unicom Seminars
Tel: 0895 256 484 Fax: 0895 813 095
LONDON

APRIL 26-27
Derivatives Risk Management
Executives in the financial industry involved in planning, organising and directing financial instruments in banking and treasury departments. Developing new financial products; Trading in derivatives; Controlling exposure and risk; Developing the technology to support derivatives. £790 plus VAT
Director - Prof Dimitris Chorafas
Contact: BPP Bank Training, Hilary Jackson
Tel: 0171 628 8444 Fax: 0171 628 7818
LONDON

APRIL 27
Regulation 1995 - Repeat of Sell Out Event
Getting to grips with the latest compliance issues affecting the day to day business of IMRO, LAUTRO and PIA members. SIB update; enforcement and discipline; pension transfers. Parallel sessions for IMRO or PIA/LAUTRO members - current issues, training and competence, handling the Regulator. CPD 5 hours.
Contact: Philippa Hartnall, IBC
Tel: 0171 637 4383 Fax: 0171 631 3214
LONDON

EXHIBITIONS

MARCH 1 - 3
Asian Companies EXPO
This entirely new concept for the financial markets brings together in one location an extensive and diverse array of leading Asian Companies, and provides institutional investors with a unique opportunity to evaluate potential growth and return first hand across all sectors on a one-on-one basis.
Contact: Euromoney EXPO's Limited.
Tel:+44 (0) 1895 624794, Fax: +44 (0) 1895 624447.
EARLS COURT, LONDON

INTERNATIONAL

FEBRUARY 16-18 1995
ExpoTrans '95
Conference & exhibition of products and services for the Future of Transportation. New vehicles; alternative fuels; design; allied products, etc. Experts will conduct seminars and Q&A sessions on Infrastructure, People-Movers, Autos, Trucks, Communications and Financing. Third Millennium Productions.
(619) 864-1822/FAX (619) 325-7503
PALM SPRINGS, CALF.

FEBRUARY 27 - MARCH 2
Lafferty's Cards & Payments Convention
An Industry Revolution in the Making. Three successive events: Int'l Bank Card; Smart Card and Electronic Payments Conferences. Programme to include: technology, marketing, third-party processing, POS updates and cross-border payments. Senior level speakers from leading financial institutions worldwide. DON'T DELAY! FOR FURTHER INFORMATION, PLEASE CONTACT: Elaine Fitzsimons, Lafferty Conferences
Tel: (+353-1) 671 8022 Fax: (+353-1) 671 3594
FRANKFURT

MARCH 9
Portfolio Investment in the Russian Federation
An international conference looking at the latest developments in the Emerging Capital Markets of the Russian Federation, covering equity and debt markets. Presentations by leading experts, brokers, investment bankers, fund managers, Russian corporates, and Russian policymakers on the economic reform programme.
Contact: Arielle Savona,
Dow Jones Telerate
Tel: +44 (0) 171 832 9737
Fax: +44 (0) 171 353 2791
SWITZERLAND

MARCH 23
Eurobudget 95 Conference
Business opportunities for funding or work in 80.9 billion Ecu 1995 EU Budget expenditure, for national, regional, local authorities/private sector consultants, suppliers, contractors. Includes 200 page EU Budget Guide.
Société Générale de Développement SA.
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MARCH 27-29
Sub-Saharan Oil & Minerals
The foremost conference on African oil and mining. Speakers include President Mandela and Cabinet Ministers from over 30 African countries. Co-hosted by the SA Chamber of Mines; Gabonese Ministry of Mines & Energy; Nigerian National Petroleum Corporation; Sonangol; SA Ministry of Mineral & Energy Affairs and Europe Energy Environment.
Contact: 3 Hayne St, London EC1A 9HH
Tel: 44-71-600-6660 Fax: 46-71-600-4044
JOHANNESBURG

MARCH 29 & 30
Central & Eastern European Power Industry Forum
The latest and future developments in the electricity generating industry in Central and Eastern Europe. A Forum on ownership issues, creative project financing, competition and cooperation opportunities. High level.
Contact: PennWell C&E
Tel: 31-30-650963 Fax: 31-30-650915
WARSAW, POLAND

MAY 16
Euro SMEs 95
European Union finance for Small and Medium Sized Enterprises: including vocational training, employment, R & D, telecomms, IT, networking, subcontracting, regional development etc. Top speakers from EC and financial institutions.
Contact: Société Générale de Développement SA
Tel: +322 512 46 36 Fax: +322 512 4653
BRUSSELS

MAY 16-18
POWER-GEN Europe 95
Investment and financing in the Power industry. Trends and Policies, Combustion and Operating Power Plants 150 selected conference presentations. Over 230 exhibiting companies. Delegates and visitors from over 51 countries, especially from Central, Eastern and Western Europe.
Contact: PennWell
Tel: 31-30-650.963 Fax: 31-30-650.915
AMSTERDAM

OCTOBER 10-12
World Aid/Euro Aid 95 Conference & Networking Exhibition
Business opportunities in worldwide aid programmes for EU consultants, contractors, suppliers, governments, financial institutions etc. Networking meeting place. Includes WORLD AID GUIDE.
Contact: Société Générale de Développement SA
Tel: +322 512 4636 Fax: +322 512 4653
BRUSSELS

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jan 27 / Sch)

BELGIUM/LUXEMBOURG (Jan 27 / Frs.)

CZECH REP (Jan 27 / Koruna)

DENMARK (Jan 27 / Kr)

FINLAND (Jan 27 / Mks)

FRANCE (Jan 27 / Frs.)

GERMANY (Jan 27 / Dm.)

GREECE (Jan 27 / Drachma)

ITALY (Jan 27 / Lira)

NETHERLANDS (Jan 27 / Fls.)

NORWAY (Jan 27 / Kroner)

POLAND (Jan 26 / Zloty)

PORTUGAL (Jan 27 / Escudo)

SPAIN (Jan 27 / Pts.)

SWEDEN (Jan 27 / Kronor)

SWITZERLAND (Jan 27 / Frs.)

TURKEY (Jan 27 / Tk Lira)

PACIFIC

JAPAN (Jan 27 / Yen)

HONG KONG (Jan 27 / H.K.$)

INDONESIA (Jan 27 / Rupiah)

MALAYSIA (Jan 27 / MYR)

NEW ZEALAND (Jan 27 / NZ $)

SINGAPORE (Jan 27 / S$)

AUSTRALIA (Jan 27 / Aust$)

SOUTH KOREA (Jan 27 / Won)

TAIWAN (Jan 28 / TW $)

THAILAND (Jan 27 / Baht)

AFRICA

SOUTH AFRICA (Jan 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Jan 27 / Can $) 4 pm close

MONTREAL (Jan 27 / Can $) 4 pm close

Prices supplied by Telekurs

INDICES

	Jan 27	Jan 26	Jan 25	1994/5 High		1994/5 Low	
Argentina							
General (29/12/77)	14962.86	15063.34	14963.56	25478.40	18/2/94	13936.48	10/1/95
Australia							
All Ordinaries(1/1/80)	1862.6	(c)	1850.3	2340.60	3/2/94	1842.60	12/12/94
All Mining(1/1/80)	882.1	(c)	877.1	1138.10	3/2/94	876.86	10/1/95
Austria							
Credit Aktien(30/12/84)	370.28	370.72	367.72	460.66	2/2/94	366.09	23/1/95
Traded Index(2/1/91)	982.47	994.60	986.71	1222.25	1/2/94	978.98	23/1/95
Belgium							
BEL20 (1/1/91)	1359.48	1365.48	1347.99	1642.85	9/2/94	1338.39	7/10/94
Brazil							
Bovespa (29/12/83)	37843.0	39269.0	(c)	55118.00	13/9/94	3909.80	3/1/94
Canada							
Metals Mins♦(1975)	4020.68	4138.47	4149.00	4328.07	19/1/95	3298.06	20/4/94
Composite♦ (1975)	4042.80	4087.50	4106.40	4603.90	23/3/94	3959.90	24/6/94
Portfolio§§ (4/1/83)	1973.98	1984.99	1998.43	2182.69	1/2/94	1868.48	28/6/94
Chile							
IPSA Gen (31/12/80)	5442.4	5436.7	5442.0	5754.40	21/11/94	3901.28	4/4/94
Denmark							
CopenhagenSE(3/1/83)	346.90	344.43	343.56	415.79	2/2/94	335.68	20/12/94
Finland							
HEX General(28/12/90)	1832.6	1820.9	1831.2	1972.00	4/2/94	1601.10	3/1/94
France							
SBF 250 (31/12/90)	1200.70	1204.09	1192.07	1585.29	2/2/94	1178.82	23/1/95
CAC 40(31/12/87)	1814.13	1828.28	1802.46	2265.93	2/2/94	1772.84	23/1/95
Germany							
FAZ Aktien(31/12/58)	759.27	762.31	761.38	869.27	18/5/94	742.84	5/10/94
Commerzbank(1/12/53)	2156.70	2167.00	2164.30	2465.50	2/5/94	2116.30	5/10/94
DAX (30/12/87)‡	2031.70	2030.69	2026.84	2271.11	16/5/94	1968.68	7/10/94
Greece							
Athens SE(31/12/80)	820.37	828.03	820.15	1194.68	18/1/94	804.37	22/11/94
Hong Kong							
Hang Seng(31/7/64)	7297.12	7310.63	7240.72	12201.09	4/1/94	6967.93	23/1/95
India							
BSE Sens.(1979)	3505.81	(c)	3450.68	4628.57	12/9/94	3411.04	24/1/95
Indonesia							
Jakarta Comp.(10/8/82)	437.15	434.46	432.86	612.89	6/1/94	432.86	25/1/95
Ireland							
ISEQ Overall(4/1/88)	1855.56	1863.87	1841.65	2082.19	20/1/94	1694.14	1/7/94
Italy							
Banca Comm Ital (1972)	665.71	664.56	664.75	817.17	10/5/94	581.64	13/12/94
MIB General (2/1/95)	1052.0	1050.0	1050.0	1074.00	23/1/95	978.00	10/1/95
Japan							
Nikkei 225 (16/5/49)	18104.35	18070.84	18159.48	21552.81	13/6/94	17369.74	4/1/94
Nikkei 300 (1/10/82)	256.60	256.73	260.96	311.71	13/6/94	254.80	23/1/95
Topix (4/1/68)	1412.83	1415.61	1426.03	1712.73	13/6/94	1390.88	23/1/95
2nd Section (4/1/68)	1934.10	1930.74	1939.48	2542.85	6/7/94	1873.33	4/1/94
Malaysia							
KLSE Comp.(4/4/86)	883.29	877.36	870.75	1314.46	5/1/94	840.87	24/1/95
Mexico							
IPC (Nov 1978)	(u)	2018.61	2056.59	2881.17	8/2/94	1957.33	20/4/94
Netherland							
CBS TtlRtnGen(End 83)	443.0	440.5	437.2	464.90	31/1/94	408.30	21/6/94
CBS All Shr (End 83)	277.9	276.4	274.3	294.80	31/1/94	267.90	21/6/94
New Zealand							
Cap. 40 (1/7/86)	1942.86	1923.01	1907.65	2499.64	3/2/94	1876.08	12/12/94
Norway							
Oslo SE(Ind)(2/1/83)	1123.26	1112.43	1102.43	1211.10	28/2/94	999.91	21/6/94
Philippines							
Manila Comp (2/1/85)	2403.96	2440.31	2425.11	3308.37	4/1/94	2374.88	24/1/95
Portugal							
BTA (1977)	2710.2	2682.4	2699.9	3226.60	18/2/94	2612.80	20/6/94
Singapore							
SES All-S'pore(2/4/75)	488.08	492.86	485.92	641.81	4/1/94	472.80	23/1/95
South Africa							
JSE Gold (28/9/78)	1577.3♥	1597.9	1678.9	2534.00	7/9/94	1577.38	27/1/95
JSE Indl. (28/9/78)	6331.7♥	6312.0	6428.0	6994.48	30/12/94	5446.00	19/1/94
South Korea							
KoreaCompEx(4/1/80)**	907.05	927.85	916.85	1138.75	8/11/94	858.37	2/4/94
Spain							
Madrid SE (30/12/85)	282.47	282.10	279.45	358.31	31/1/94	275.35	11/1/95
Sweden							
AffarsvarldnGen (1/2/37)	1523.10	1518.00	1510.10	1609.80	31/1/94	1334.70	6/7/94
Switzerland							
Swiss Bk Ind (31/12/58)	1207.97	1213.73	1204.32	1423.34	31/1/94	1138.72	27/10/94
SBC General (1/4/87)	898.40	901.05	893.24	1093.29	31/1/94	876.57	27/10/94
Taiwan							
WeightedPr.(30/6/66)**	(c)	6307.85	6299.62	7191.13	30/9/94	5194.63	19/3/94
Thailand							
Bangkok SET (30/4/75)	1214.78	1209.96	1213.78	1753.73	4/1/94	1191.28	23/1/95
Turkey							
Istanbul Comp.(Jan 1986)	25245.0	24781.0	24606.1	29145.10	2/12/94	12960.70	24/3/94
WORLD							
MS Capital Int (1/1/70)§	603.1*	602.5	601.4	649.90	2/11/94	591.80	4/4/94
CROSS-BORDER							
Eurotrack 100(26/10/90)	1307.52	1308.10	1294.51	1540.19	31/1/94	1286.48	5/10/94
Euro Top-100 (26/6/90)	1165.90	1163.45	1161.45	1311.01	2/2/94	1136.49	5/10/94
JCapelDrgns (31/12/88)	(u)	271.77	269.70	395.19	5/1/94	261.48	23/1/95
Barings Emerg.(7/1/92)	140.31	140.25	139.61	191.79	26/9/94	137.15	24/1/95

US INDICES

Dow Jones	Jan 27	Jan 26	Jan 25	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Industrials	3857.99	3870.44	3871.45	3978.36 (31/1/94)	3593.35 (4/4/94)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	94.67	94.32	94.33	106.61 (21/1/94)	93.56 (20/12/94)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1523.50	1510.46	1523.38	1862.29 (2/2/94)	1371.89 (13/12/94)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	192.20	190.61	190.15	227.08 (3/1/94)	173.94 (22/11/94)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3914.18 (3903.41) Low 3827.37 (3839.15) (Theoretical♦)
Day's high 3886.59 (3879.52) Low 3848.57 (3853.28) (Actual♦)

Standard and Poors	Jan 27	Jan 26	Jan 25	1994/5 High	1994/5 Low	Since compilation High	Since compilation Low
Composite ‡	470.39	468.32	467.44	482.08 (2/2/94)	438.92 (4/4/94)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	554.80	553.73	553.21	563.19 (28/10/94)	510.05 (21/4/94)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	43.93	43.26	43.01	48.94 (14/6/94)	39.87 (22/11/94)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	255.89	254.92	254.41	267.71 (2/2/94)	243.14 (4/4/94)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	436.75	437.74	436.52	487.89 (2/2/94)	420.23 (13/12/94)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Comp	758.91	757.56	760.98	803.93 (18/3/94)	693.79 (24/6/94)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Jan 20	Jan 13	Jan 6	Year ago
Dow Jones Ind. Div. Yield	2.77	2.73	2.76	2.59
	Jan 25	Jan 18	Jan 11	Year ago
S & P Ind. Div. yield	2.43	2.40	2.44	2.512
S & P Ind. P/E ratio	18.90	19.06	18.76	26.96

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	8,822,500	35¼	-1¼
Am T & T	8,429,300	49⅝	–
Walt Disney	7,444,100	50¼	+3
Telefonos	6,024,000	32¼	-1½
McDonalds	6,009,600	32¾	+1¼
Chile Tele	4,122,900	73½	-1½
K Mart	3,869,800	14	+⅛
GTE	3,813,000	34	+⅛
Philip Morris	3,506,900	60⅝	+1⅝
EMC	3,300,700	18¼	-⅛

■ TRADING ACTIVITY

● Volume (million)	Jan 27	Jan 26	Jan 25
New York SE	339.497	311.909	341.928
Amex	14.122	13.813	15.242
NASDAQ	(u)	276.167	294.436
NYSE			
Issues Traded	2,915	2,920	2,916
Rises	1,268	1,092	1,196
Falls	950	1,008	929
Unchanged	698	820	790
New Highs	42	31	28
New Lows	46	44	38

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40							
Jan	1820.0	1811.0	-13.0	1833.0	1808.0	29,894	17,116
Feb	1826.5	1819.5	-13.0	1842.5	1816.0	14,198	14,592
■ DAX							
Mar	2041.0	2047.5	-4.0	2060.5	2036.0	13,477	N/A
Jun	2061.0	2068.5	-3.5	2069.5	2055.5	786	N/A
■ OMX							
Jan	1163.50	1170.00	+7.00	1170.00	1160.50	2,279	17,207
Feb	1174.00	1174.00	+5.00	1174.00	1174.00	10	780
■ SOFFEX							
Feb	2561.2	2552.0	-7.0	2563.0	2543.0	5,396	16,248
Mar	-	2559.5	-	-	-	-	485
■ S&P 500							
Mar	471.10	471.55	+0.40	473.85	470.10	62,142	196,326
Jun	477.10	475.50	+0.35	477.70	474.15	2,193	12,618
■ Nikkei 225							
Mar	18250.0	18140.0	-40.00	18320.0	17980.0	37,655	128,049
Jun	18270.0	18160.0	-10.00	18340.0	18000.0	377	6,686

Open interest figures for previous day.

** Sat Jan 21: Taiwan Weighted Price 6431.98; Korea Comp Ex 955.11. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Jan 27 - 2030.56 –10.23

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Friday, January 27, 1995

	Stocks Traded	Closing Prices	Change on day
Sumitomo Const	31.3m	787	+92
Fudo Const	27.9m	1200	+200
Penta Ocean	25.8m	733	+71
Toyo Const	22.7m	650	+25
Daisue Const	14.8m	759	+65
Taisho Pharm	12.1m	[illegible]	[illegible]
Acid Corp	[illegible]	[illegible]	[illegible]
Obayashi Corp	[illegible]	[illegible]	[illegible]
Unitika	[illegible]	[illegible]	[illegible]
Nip Steel Corp	[illegible]	[illegible]	[illegible]

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

[illegible]

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

[illegible]

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.31	93.38	+0.06	93.40	93.30	149,434	417,022
Jun	92.71	92.81	+0.10	92.82	92.70	267,477	394,852
Sep	92.32	92.49	+0.16	92.52	92.32	122,233	279,901

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

Mar	93.97	94.01	+0.07	94.03	93.95	2,980	9,482
Jun	93.37	93.38	+0.05	93.42	93.32	1,161	8,290
Sep	93.00	93.10	+0.15	93.08	93.00	493	3,452

All Open Interest figs. are for previous day

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

[illegible]

Spain	(Pta) 23.70	4.540	3.990	1.149	0.483	1216	1.288	5.033	[illegible]
Sweden	(SKr) 41.88	8.023	7.051	2.030	0.853	2149	2.278	8.895	210.0
Switzerland	(SFr) 24.53	4.699	4.130	1.189	0.500	1259	1.333	5.210	123.0
UK	(£) 49.63	9.507	8.355	2.406	1.011	2546	2.697	10.54	248.9
Canada	(C$) 22.04	4.222	3.710	1.068	0.449	1131	1.198	4.680	110.5
US	($) 31.17	5.972	5.248	1.511	0.635	1599	1.694	6.621	156.3
Japan	(Y) 31.47	6.029	5.298	1.526	0.641	1614	1.710	6.684	157.8
Ecu	38.99	7.468	6.563	1.890	0.794	2000	2.119	8.260	195.5

Sweden	176.7	10	1.707	0.844	1.900	1.343	133.1	1.074
Switzerland	103.5	5.858	1	0.494	1.113	0.787	77.95	0.629
UK	209.4	11.85	2.023	1	2.252	1.592	157.7	1.273
Canada	92.98	5.262	0.898	0.444	1	0.707	70.03	0.565
US	131.5	7.443	1.271	0.628	1.415	1	99.06	0.800
Japan	132.8	7.514	1.283	0.634	1.428	1.010	100.	0.807
Ecu	164.5	9.309	1.589	0.785	1.769	1.251	123.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	0.6601	0.6609	+0.0007	0.6634	0.6587	22,369	79,707
Jun	0.6627	0.6634	+0.0007	0.6658	0.6610	269	2,991
Sep	-	0.6659	+0.0006	0.6675	-	9	174

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

Mar	0.7859	0.7868	+0.0009	0.7898	0.7830	15,721	40,773
Jun	0.7907	0.7918	+0.0008	0.7945	0.7890	25	1,335
Sep	-	0.7973	+0.0007	0.7985	0.7950	7	72

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	1.0110	1.0109	-0.0002	1.0143	1.0082	13,780	75,127
Jun	1.0205	1.0227	-0.0004	1.0262	1.0205	740	7,538
Sep	-	1.0352	-0.0007	-	-	172	566

■ STERLING FUTURES (IMM) £62,500 per £

Mar	1.5888	1.5886	-0.0020	1.5940	1.5830	11,131	47,148
Jun	1.5830	1.5868	-0.0022	1.5930	1.5830	17	1,320
Sep	-	1.5856	-0.0024	1.5920	1.5810	2	6

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	8.76	8.71	8.79	-	-	0.18
1.525	6.32	6.40	6.66	-	0.11	0.47
1.550	3.87	4.23	4.72	-	0.42	0.99
1.575	1.76	2.48	3.09	0.33	1.11	1.84
1.600	0.44	1.22	1.92	1.50	2.33	3.03
1.625	0.03	0.51	1.08	3.54	4.05	4.66

Previous day's vol., Calls 3,274 Puts 10,404 . Prev. day's open int., Calls 232,447 Puts 269,429

■ Pound in New York

Jan 27	—Close—	—Prev. close—
£ spot	1.5890	1.5895
1 mth	1.5885	1.5891
3 mth	1.5873	1.5880
1 yr	1.5810	1.5828

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Companies and Finance page in today's edition.

FT GOLD MINES INDEX

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994/95 High	1994/95 Low	Stock	Closing price p	+or-
4	Nil	3/3	2pm	½pm	Deres Estates	¾pm	+¼
68	Nil	27/2	33pm	22pm	Hewitt	22pm	
7½	Nil	3/2	1½pm	½pm	Verity	¾pm	

BANK RETURN

BANKING DEPARTMENT	Wednesday January 25, 1995	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	860,553,131	-175,197,867
Bankers deposits	1,602,622,411	-64,743,432
Reserve and other accounts	3,695,972,634	+472,436,700
	6,173,701,176	+232,495,401
Assets		
Government securities	1,379,898,257	-193,165,001
Advance and other accounts	4,263,259,108	+679,750,242
Premise, equipment and other secs	518,167,664	-254,615,464
Notes	12,357,410	+535,549
Coin	218,737	-9,925
	6,173,701,176	+232,495,401
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	18,037,642,590	-130,535,549
Notes in Banking Department	12,357,410	+535,549
	18,050,000,000	-130,000,000
Assets		
Other Government securities	11,931,163,595	+954,555,542
Other Securities	6,118,836,405	-1,084,555,542
	18,050,000,000	-130,000,000

UK INTEREST RATES

LONDON MONEY RATES

Jan 27	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4	5½ - 5¼	6⅜ - 6¼	6$\frac{13}{16}$ - 6$\frac{11}{16}$	7$\frac{3}{16}$ - 7$\frac{1}{16}$	7⅞ - 7¾
Sterling CDs	-	-	6$\frac{5}{16}$ - 6¼	6$\frac{11}{16}$ - 6⅝	7$\frac{1}{16}$ - 7	7¾ - 7$\frac{11}{16}$
Treasury Bills	-	-	6¼ - 6⅛	6¼ - 6⅛	-	-
Bank Bills	-	-	6$\frac{5}{16}$ - 6⅛	6$\frac{13}{16}$ - 6$\frac{13}{16}$	7 - 6⅞	-
Local authority deps.	4$\frac{13}{16}$ - 4$\frac{11}{16}$	5$\frac{9}{16}$ - 5$\frac{7}{16}$	6$\frac{5}{16}$ - 6$\frac{3}{16}$	6¾ - 6⅝	7$\frac{1}{16}$ - 6$\frac{15}{16}$	7$\frac{13}{16}$ - 7$\frac{11}{16}$
Discount Market deps	5¾ - 4½	5½ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

BANK OF ENGLAND TREASURY BILL TENDER

	Jan 27	Jan 20		Jan 27	Jan 20
Bills on offer	£500m	£350m	Top accepted rate	6.1388%	5.8761%
Total of applications	£2930m	£2758m	Ave. rate of discount	6.1071%	5.8761%
Total allocated	£500m	£800m	Average yield	6.2015%	5.9835%
Min. accepted bid	£98.470	£98.535	Offer at next tender	£500m	£500m
Allotment at min. level	100%	100%	Min. accept. bid 182 days	-	-

BASE LENDING RATES

	%
Adam & Company	6.25
Allied Trust Bank	6.25
AIB Bank	6.25
●Henry Ansbacher	6.25
Bank of Baroda	6.25
Banco Bilbao Vizcaya	6.25
Bank of Cyprus	6.25
Bank of Ireland	6.25
Bank of India	6.25
Bank of Scotland	6.25
Barclays Bank	6.25
Brit Bk of Mid East	6.25
●Brown Shipley & Co Ltd	6.25
Citibank NA	6.25
Clydesdale Bank	6.25
The Co-operative Bank	6.25
Coutts & Co	6.25
Credit Lyonnais	6.25
Cyprus Popular Bank	6.25
Duncan Lawrie	6.25
Exeter Bank Limited	7.25
Financial & Gen Bank	7
●Robert Fleming & Co	6.25
Girobank	6.25
●Guinness Mahon	6.25
Habib Bank AG Zurich	6.25
●Hambros Bank	6.25
Heritable & Gen Inv Bk.	6.25
●Hill Samuel	6.25
C. Hoare & Co	6.25
Hongkong & Shanghai	6.25
Julian Hodge Bank	6.25
●Leopold Joseph & Sons	6.25
Lloyds Bank	6.25
Meghraj Bank Ltd	6.25
Midland Bank	6.25
* Mount Banking	6.25
NatWestminster	6.25
●Rea Brothers	6.25
* Roxburghe Guarantee Corporation Ltd is no longer authorised as a banking institution.	9
Royal Bk of Scotland	6.25
Singer & Friedlander	6.25
●Smith & Williamson Secs	6.25
TSB	6.25
●United Bk of Kuwait	6.25
Unity Trust Bank Plc	6.25
Western Trust	6.25
Whiteaway Laidlaw	6.25
Yorkshire Bank	6.25

● Members of London Investment Banking Association
* In administration

UK GILTS PRICES

	Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts (Lives up to Five Years)							
Exch 3pc Gas 1990-95		99$\frac{9}{16}$	0.1	214	My1 Nv1	26.9	1271
10¼pc 1995		101$\frac{11}{16}$	-.1	2,500	Ja21 Jy21	15.12	1254
Treas 12¾pc 1995‡‡		104½	-.1	840	My15 Nv15	10.10	1298
14pc 1996		106$\frac{13}{16}$	-.1	770	Ja22 Jy22	16.12	1305
15¼pc 1996‡‡		109$\frac{5}{16}$	-.1	1,150	My3 Nv3	27.9	1309
Exch 13¼pc 1996‡‡		106$\frac{11}{16}$	-.1	800	My15 Nv15	10.10	1268
Conversion 10pc 1996		103$\frac{13}{16}$	0.1	3,409	My15 Nv15	10.10	1240
Conversion 9½pc 2004		105$\frac{3}{16}$	0.4	3,412	Ap25 Oc25	19.9	1246
Treas 6¾pc 2004‡‡		87⅞	0.5	6,500	My26 Nv26	20.10	3541
8½pc 2005		98$\frac{13}{16}$	0.5	4,400	Ja7 De7	-	-
Conv 9½pc 2005		106$\frac{3}{16}$	0.4	4,842	Ap18 Oc18	12.9	1247
Treas 12½pc 2003-5		121$\frac{3}{16}$	0.4	2,300	My21 Nv21	17.10	1295
7¾pc 2006‡‡		93⅞	0.4	3,900	Mr8 Se8	2.8	-
Index-Linked 2pc '96	(67.9)	202$\frac{11}{16}$	0.4	1,200	Mr16 Se16	10.8	1313
4⅝pc '98‡‡	(135.6)	107$\frac{15}{16}$	0.4	800	Ap27 Oc27	20.9	-
2½pc '01	(78.3)	168⅝	0.2	1,500	Mr24 Se24	18.8	1316
2½pc '03	(78.8)	162$\frac{5}{16}$	0.2	1,300	My20 Nv20	17.10	1317
4⅜pc '04‡‡	(135.6)	108⅞	0.3	1,000	Ap21 Oc21	14.9	-
2pc '06	(69.5)	169$\frac{3}{16}$	0.2	1,650	Ja19 Jy19	13.12	1314

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STOCK INDICES

[illegible]

FT CONFERENCE

INTERCONNECTION - THE EVOLVING UK PROGRAMME AND ITS INTERNATIONAL CONTEXT
London, 8 February 1995
Senior speakers from OFTEL, led by Mr Don Cruickshank its Director General, will look at the key issues of the UK's interconnection programme. This joint conference will also address interconnection and competition in international telecommunications, with presentations from Mr Scott B Harris, US Federal Communications Commission; Mr Nicholas Argyris, European Commission and Mr Jan Freese, Swedish National Post and Telecom Agency.

LONDON MOTOR CONFERENCE
London, 20 February 1995
This annual FT meeting, the tenth in a highly successful series, will focus on block exemption, examine the changing relationship between vehicle manufacturers and dealers and address the issue of competitiveness in the automotive components sector. Speakers include: Professor Garel Rhys OBE, Cardiff Business School; Mr Rudolf Beger, ACEA; Sir Trevor Chinn CVO, Lex Service PLC; David Nicholas, Unipart Industries; Rich Van Leeuwen, Ford Credit Britain and Gérard Chiffert, Rockwell Automotive Light Vehicle Systems.

CABLE, SATELLITE AND NEW MEDIA
London, 27 & 28 February 1995
The Financial Times' 14th annual conference is being held at a critical time when the vision of the new media is turning into reality. The conference will offer insights into the latest developments both in the context of business and investment implications and the context of technology. Speakers include: Mr Barry Spikings, The Pleskow/Spikings Partnership, USA; Mr Michael Schrage, Massachusetts Institute of Technology; Mr Robert Phillis, British Broadcasting Corporation; Mr Stephen Davidson, TeleWest Communications plc and Mr Stefane France, Premiere Medien GmbH.

WORLD STEEL INDUSTRY
London, 6 & 7 March 1995
This London conference arranged in association with CRU International, will bring together a distinguished panel of speakers from around the world to share their views on the key questions facing the industry. The industry's structure will be of paramount importance, to what extent should European producers form their own alliances or mergers to create a truly international industry? Will privatisation finally lay the subsidies issue to rest? What technology will steelmakers use to achieve the growth they are seeking? Speakers who will be taking part include Mr Brian S Moffat OBE, British Steel plc; Mr Robert J Darnall, Inland Steel Industries Inc; Mr Karel Van Miert, European Commission; Mr Francis Mer, Usinor Sacilor and Mr Robert A Garvey, North Star Steel Company.

INDIA'S ECONOMIC RENAISSANCE - OPPORTUNITIES FOR TRADE, FINANCE AND INVESTMENT
New Delhi, 16 & 17 March 1995
Given the breadth and pace of economic reform that has taken place in India since 1991, this high-level FT forum will provide a unique opportunity to review the government's liberalisation programme and assess business and investment prospects. The meeting will also consider India's competitiveness in world markets and look at the challenges of improving the country's infrastructure. Speakers include Dr C Rangarajan, Reserve Bank of India; Mr Pranab Mukherjee, Minister of Commerce; Sir Robert Wade-Gery, Barclays de Zoete Wedd; Mr Dipankar Basu, State Bank of India; Professor Jeffrey D Sachs, Harvard University; Mr Tetsuo Shimura, The Bank of Tokyo; Mr A Stephen Melcher, Eagle Star Holdings; Mr Ferdinand Berger, Shell International Petroleum Company and Mr Everett J Santos, International Finance Corporation. Dr Manmohan Singh, the Minister of Finance, has agreed, in principle, to give the opening address.

WORLD PHARMACEUTICALS CONFERENCE
London, 20 & 21 March 1995
This year's conference, arranged jointly with Coopers & Lybrand, takes as its theme 'evolving from pills to healthcare - realising the ambition'. As governments worldwide seek to contain healthcare costs, the marketplace has become more competitive for R&D-based pharmaceutical majors. Many are now looking at new ways of working with the healthcare purchasers, whether in the US free market environment or in European-type social systems. Leading figures will outline their vision and strategies for moving from being pharmaceutical product-based companies to becoming 'healthcare' players. Speakers include: Mr Jan Ekberg, Pharmacia AB; Professor Brian Edwards, NHS Executive (West Midlands); Dr Armin Kessler, F Hoffmann-La Roche; Mr Mitchell E Daniels, Eli Lilly and Company; Mr Paul Krikler, Goldman Sachs International and Mr André Haeig, SwissCare.

MARKETING PROFESSIONAL SERVICES '95
London, 19 & 20 April 1995
The Financial Times and Professional Marketing International bring together an internationally renowned line-up of experts and leading edge practitioners to provide practical guidance in getting better business through improved skills and client awareness. The first day is devoted to an interactive point of contact sales masterclass, examining the process of carrying marketing context through to the actual sale. Highlights of the second day include a debate on the findings of an exclusive benchmarking survey to establish best practice in client development worldwide; reflections from Sir Bryan Carsberg of the Office of Fair Trading on a decade of deregulation in the professions; and Professor Jack Mahoney of the London Business School on reconciling professional ethics to a market facing culture. A series of 12 workshops lead by clients and practitioners will concentrate on specific skills and the special needs of particular types of clients. The Congress concludes with a dinner and presentation of the prestigious FT/Professional Marketing Awards.

EUROPEAN WATER INDUSTRY
London, 24 & 25 April 1995
At a time when many UK and EC companies are seeking opportunities in fresh markets, the sixth conference in the Financial Times Water Industry series will also consider the cost challenge of meeting EC quality yardsticks and the increasing need to put figures on environmental costs. Speakers include: Mr Ian Byatt, Ofwat; Mr Nicholas Hood CBE, Wessex Water; Ing Antonio Taveira, Indaqua; Dr Johan Bastin, EBRD and Mr David Kinnersly, author of 'Coming Clean, The Politics of Water and the Environment'.

All enquiries should be addressed to: Financial Times Conferences, P O Box 3651, London SW12 8PH, UK. Telephone: 081-673 9000, Fax: 081-673 1335.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

GUERNSEY (SIB RECOGNISED)

Lazard Fund Mngrs - Contd.

Lloyds Intl Money Market Fund Ltd

GUERNSEY (REGULATED)(**)

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

IRELAND (SIB RECOGNISED)

Swiss Life Investment Fund – Proteus (u)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Allied Dunbar Intl Fund Mgrs (1600)F

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Coutts & Co (Jersey) Fund Managers Ltd

EBC Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Commercial Union Luxembourg SA - Contd.

Midland Intl Circuit Fund (SICAV)(u)

LUXEMBOURG (REGULATED)(**)

هكذا في الأصل

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars.
Yields % allow for all buying expenses.
Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(♥) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(♣) - 1701 to midnight.
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing
b - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
u - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
x - Offered price includes all expenses except agent's commission.
z - Previous day's price.
SG - Guernsey gross.
♦ - Yield before Jersey tax.
† - Ex-subdivision.
‡ - Only available to charitable bodies.
◆ - Yield column shows annualised rates of NAV increase
xd - Ex-dividend.

LONDON SHARE SERVICE

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Pf		87	-.5	8%	-	Jan Dec	14.11	1767
9¾pc Non-Cum Pf		117½	0.2	9¾%	-	Jan Jul	14.11	1421
Cater Allen	‡†N☐	443	-2.4	28.3	1.6	Jan Jul	12.12	2081
Close Bros	‡N	223	1.8	7.5	2.9	Apr Oct	3.10	2169
Gerrard & Nat	‡†N☐	474	-2.9	24.0	1.3	Jul Dec	7.11	2886
Hambros	‡N☐	242	-1.6	15.0	1.1	Aug Dec	28.11	2812
7½pc Cv Pf		111	—	7½%	-	Oct	5.9	4365
Joseph (L)	‡†N	393	—	17.65	1.9	Sep Dec	5.12	3089
King & Shaxson	‡N	97	-3.0	9.0	1.7	Jan Jul	19.12	3099
Kleinwort Benson	‡†N☐	820	6.0	19.25	2.6	May Oct	15.8	3102
Rea Bros	‡†N☐	68	—	0.95	3.2	May Oct	29.8	3785
Schroders	‡†N☐	1495	2.8	18.5	5.9	May Oct	12.9	3939
NV	†N	1315	0.9	18.5	5.9	May Oct	12.9	3941
Singer & Fried	‡†N☐	85	-.6	3.13	2.6	Nov Jun	19.9	4028
Union	‡†N☐	89	—	4.5	3.6	Mar Oct	29.8	4353
Warburg (SG)	‡N☐	758	3.7	22.0	2.4	Jul Dec	14.11	4425
Wintrust	‡N	215	—	10.25	1.5	Oct Mar	22.8	4524

BANKS, RETAIL

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
ABN Amro Fl	☐	222¾	-.4	Q67%	ф	Sep May	9.93	-
ANZ A$		198	-2.9	Q250	ф	Jan	12.93	-
Abbey National	†N☐	428	—	15.55	2.1	May Oct	15.8	5411
Allied Irish I£	‡†N☐	258	-.8	Q53¾%	2.7	Oct May	15.8	1354
Anglo Irish I£	N☐	60	-2.0	Q17.5%	1.8	Jan Jul	28.11	1355
Asahi Y	☐	638¾	-5.3	Q14%	ф	Jan Dec	12.92	3049
Banco Bil Viz Pts	☐	915¾	0.9	Q27.2%	2.7	JyOcJaAp	7.93	-
Banco Sant Pts		924	—	Q38%	2.0	MyAuOcJa	1.8	-
Bk Ireland I£	†N☐	303	3.1	Q14.7%	3.2	Jan Jul	21.11	1360
Bank Scotland	‡†N☐	210	6.6	5.31	3.3	Jul Dec	17.10	1742
5¾pc Pf		118	0.4	9¾%	-	May Nov	17.10	1482
9¾pc Pf		124	0.6	9¾%	-	May Nov	17.10	1485
Barclays	‡†N☐	582	2.1	18.85	2.4	Oct May	15.8	1754

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

INVESTMENT COMPANIES - Cont.

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	Wk% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£31	----	0375c	1.9	Oct Apr	3'93	-
Barlow	♣	£4⅞	-8.2	056c	2.8	Jan Jul	12.12	-
Gold Flds Prop R		141½	1.4	080c	◆	Feb Sep	31.1	-
NK Props		87½	----	087.1c	-	Feb Sep	10'93	-
SASOL	♥	446	-5.1	078c	-	Oct	9'93	-
SA Brews	†	£13¼	-2.8	0163c	2.2	Jan Dec	21.11	-
Tiger Oats		750	----	065c	2.8	Jan Jul	12.12	-
Tongaat-Hulett	†‡	701	----	080c	2.4	Feb Aug	1'94	-

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ◆ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ¤ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Not subject to ACT. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/ or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1994. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1275 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Kalmet Res. (Ext. Inds.), Kiln Capital (Insurance), HSBC China Fund Ord and Warrants (Inv. Co's.) and Hill Hire (Transport)..

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣ . Please quote the code FT1089. Ring 081-770 0770 (open 24 hours including weekends) or Fax 081-770 3822. If calling from outside the UK, ring +44 81 770 0770 or fax +44 81 770 3822. Reports will be sent the next working day, subject to availability.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0336 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 39p per minute cheap rate and 49p per minute at all other times.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close January 27

1994/95 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
17⅞	11⅞	AAR	0.48	3.5	25	73	14⅛	13⅞	13⅞	-⅜
21⅞	12⅝	A L Labs A	0.18	0.9	44	308	19⅝	19⅝	19⅝	
79⅞	57⅝	AMP	1.84	2.5	20	1366	74	73⅞	73½	+⅛
72¾	48⅛	AMR			25	7023	58¾	57⅛	58½	+1½
56⅛	38⅝	ASA	2.00	4.6	28	813	43½	42⅞	43⅛	-⅝
33⅞	25⅜	AbbtL	0.76	2.2	18	10310	u34¼	33⅜	34⅛	+⅞
15¼	11⅜	Abitibi Pr	0.50	3.6	12	285	13⅞	13⅝	13¾	+⅛
24	17¾	ABM Ind	0.60	2.5	14	92	u24⅜	23⅞	24¼	+⅜
18	11⅛	Acptncein			12	496	16½	16⅛	16½	+⅛
31	20¾	ACE Ltd	0.44	1.8	7	753	24⅝	24	24⅛	-⅛
12½	9	ACM Gvt In	1.09	11.8	8	342	9¼	9⅛	9¼	
10⅞	6⅞	ACM GvOpp	0.80	10.8		67	7⅜	7¼	7⅜	
10⅝	6¾	ACM Gvt Sp	0.96	13.2		270	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Se	1.09	13.1		760	8½	8¼	8⅜	+⅛
11¾	7⅜	ACM Man	1.08	13.1		182	8¼	8⅛	8¼	+⅛
9¼	7¼	ACM Managd	0.72	9.8		96	7⅜	7⅜	7⅜	
16¼	8¾	AcmeClv	0.48	3.2	8	325	15½	15	15	-½
19⅞	6½	Acme Elect			18	274	17⅞	17¼	17⅞	+⅝
33½	23	Acordia	0.60	1.9	16	20	31¾	31½	31½	-¼
13¾	5¾	Actava	0.35	3.9	2	298	9⅛	8⅞	9⅛	
18⅞	11¼	Acuson			25	422	15¾	15⅝	15¾	
18⅞	15½	Adams Expr	0.36	2.3	0	47	16	15⅞	15⅞	-⅛
64½	48½	Ad Micro	3.00	4.9		130	61⅜	60⅝	60¾	-¼
32¼	16¾	AdvMic	3.00	9.9	8	6375	30½	29⅝	30¼	
6⅞	5	Advest Grp	0.18	2.8	28	75	5⅝	5½	5⅝	
20	15	Advo Inc	0.10	0.6	15	94	18¼	18	18⅛	+⅛
66⅛	48⅜	Aegon ADR	1.47	2.3	12	6	64½	64¼	64¼	-¼
5	3⅞	Aerflx			7	67	3⅞	3¾	3⅞	+⅛
[illegible]										

- B -

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- I -

- J -

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- N -

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- P - Q -

- R -

- S -

Continued on next page

4 pm close January 27

NYSE COMPOSITE PRICES

Continued from previous page

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
35⅛	30⅛	SFePPipe	2.80	8.2	8	124	34⅛	33⅞	34⅛	+⅛
26¼	12⅛	SanFeP	0.10	0.5	17	19193	18½	18⅝	18½	+⅛
25⅛	18⅝	SaraLee	0.68	2.7	65	8223	25⅞	25½	25½	-⅛
50⅛	41	Scana Corp	2.82	6.4	12	394	44	43⅞	44	+¼
20½	12½	Scecrp	1.00	6.3	10	18923	16	15¾	15¾	+⅛
13⅞	8¼	SchwitzA	0.26	2.6	36	30	10¼	10⅛	10⅛	
45½	31¾	SchoringP			29	965	44½	43⅝	44⅛	+½
75⅞	54½	SchPl	2.04	2.7	18	3631	u76⅝	75⅞	76⅝	+⅝
63	50	Schlmb	1.20	2.2	26	3463	54⅞	53⅞	54⅛	+⅛
40¼	23¾	Schwab(C)	0.36	0.9	18	1573	39½	38¾	39⅞	+¼
10¾	6⅞	ScotwIcar			7	7	8¼	8⅛	8⅛	-⅛
22¾	12½	SciAtl	0.06	0.3	35	3093	20¼	19⅞	20¼	+¼
18¾	13	Scotsman	0.10	0.6	13	6	17⅝	17½	17⅝	
74½	37¼	ScottP	0.80	1.2	21	2766	71½	69⅞	69⅞	-1½
31	23	Scripps	0.44	1.6	16	97	27¼	26⅞	27	
28⅝	15⅞	ScudderNeF x	0.02	0.1		75	16¾	16½	16⅝	-⅛
12⅝	8¾	ScudderNEuF	0.16	1.8		71	9	8⅞	9	+⅛
18¼	12	SeaCnB	0.70	4.9	8	15	14¼	14	14¼	+¼
16½	14¼	SeaC1.4625	1.46	9.5		4	15⅝	15⅛	15⅝	+⅛
28	22⅞	S'gate			7	2772	25⅞	25⅛	25½	-⅛
32⅝	26¾	Seagrm	0.60	2.0	14	2585	30⅛	29¾	29⅞	-½
28¾	17⅛	Seagull En			29	582	18	17½	17½	-½
40⅝	26⅝	Sealed Air			21	304	40¼	39⅞	40	-¼
55⅛	42⅛	SearsR	1.60	3.5	13	8204	45⅞	44⅞	45⅞	+½
13¾	9¾	Seligm Sel	0.84	7.2		163	11¾	11⅝	11⅝	
39¼	26	Sensormat	0.22	0.8	22	3811	29⅞	28¼	28½	-¾
39¾	17⅝	SequaA	0.60	2.7	8	21	22⅞	22¼	22⅞	-⅞
40¼	21	SequaB	0.50	2.1	12	8	23¾	23½	23¾	+¼
29½	22½	ServCp	0.42	1.5	19	1219	d28⅝	28	28½	+⅝

1994/95 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
27⅞	20⅝	Zenith Nat	1.00	4.6	10	2	21⅞	21⅞	21⅞	
7⅞	6	Zenix Inc x	0.83	13.0		105	6⅜	6¼	6⅜	+⅛
16⅛	11⅝	Zero	0.44	3.2	15	109	14	13⅝	13¾	-⅛
29¾	16¾	Zurn Ind	0.88	4.8	70	101	18⅝	18¼	18⅜	
13⅞	10⅛	Zweig Fund	1.04	9.5		137	11⅛	11	11	
10¾	7¾	Zweig Totl	0.84	10.0		158	8½	8⅜	8⅜	

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close January 27

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	8	4387	10⅞	10⅝	10⅝	-⅜
Perini	0.80	18	30	9¾	9½	9¾	+⅛

NASDAQ NATIONAL MARKET

4 pm close January 27

FT GUIDE TO THE WEEK

MONDAY 30

Party vote in Canberra

A party room ballot is to be held in Canberra, Australia, to elect a new leader of the Australian Liberal party, the larger party in the federal opposition coalition. Mr John Howard (left), who previously held the position between 1985 and 1989, is expected to replace Mr Alexander Downer, who resigned last week, in time for the start of the new parliamentary term tomorrow.

Human rights talks

The United Nations Human Rights Commission begins its annual six-week session in Geneva. On the agenda are human rights violations in Iran, Iraq, former Yugoslavia, Haiti, Rwanda, East Timor and the occupied Arab territories.

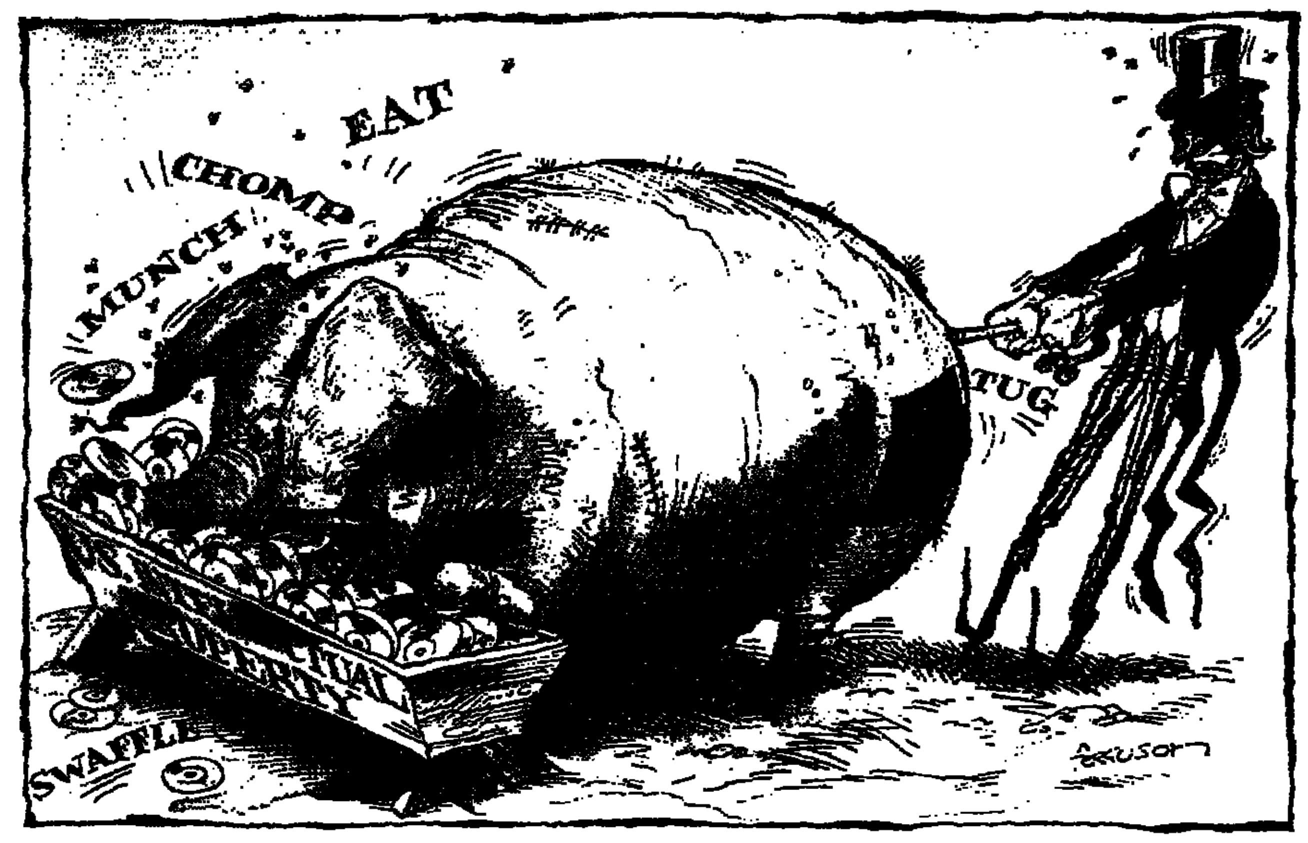
Portuguese challenge

The International Court of Justice in The Hague hears Portugal's challenge to a 1989 accord between Australia and Indonesia on oil exploration in the resource-rich Timor Gap between East Timor and Australia. Hearings last three weeks until February 17.

Portugal claims that Australia had no right to sign the treaty while Portugal was administering power in East Timor, forcibly annexed by Indonesia in 1975. It is demanding reparations.

Heseltine in Japan

Michael Heseltine (left), trade and industry secretary, who arrived in Japan on Saturday, begins the official part of a trade and investment visit, accompanied by more than 40 senior British businessmen. He meets his counterpart, Ryutaro Hashimoto, minister of international trade and industry, tomorrow.



At the start of China's year of the pig, it is rowing with the US over intellectual property rights

TUESDAY 31

Chinese new year

Asia's financial markets take a breather this week for the lunar new year holiday, which celebrates the year of the pig. It will be a welcome break, given the region's weakness as a result of the currency crisis in Mexico.

While the markets recovered some of their composure last week, an undercurrent of nervousness remains, and attention will be on this week's US Federal Reserve's Open Market Committee meeting and the likelihood that the Fed will raise interest rates. Investors are also worried about the health of China's paramount leader, Deng Xiaoping.

WTO Council to sit

The Geneva-based World Trade Organisation holds the inaugural meeting of its principal governing body, the general council. The 75-member WTO, which began work on January 1, is to decide who will chair the committees guiding trade policy in its first year. Also on the agenda is a membership request from Vietnam and an offer from Singapore to host the first WTO ministerial meeting in 1996.

Sir Leon on trade

Sir Leon Brittan, EU external relations commissioner, meets with new Republican Congressional leaders and administration officials in the US to discuss the World Trade Organisation and foreign investment.

Bond creditors vote

Personal creditors of Alan Bond meet in Sydney to vote on whether to accept an A$3.25m settlement offer and discharge the failed tycoon, one of the high-flying Australian entrepreneurs of the 1980s, from bankruptcy.

Akihito visits Kobe

Japanese Emperor Akihito is expected in Kobe to assess the damage caused by the recent earthquake, which killed more than 5,000 people and made about 300,000 homeless.

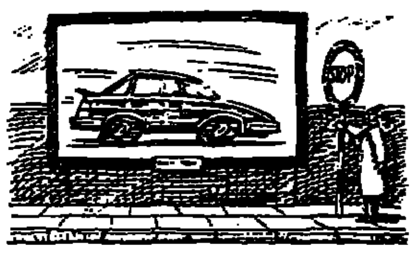
Barrick's golden view

Officials of Canadian group Barrick Gold, the biggest gold producer outside South Africa, are to outline its plans and market prospects in Toronto. Barrick has recently expanded in Latin America and Asia, in particular China.

Talks on nuclear test ban

The United Nations disarmament conference begins its 1995 session in Geneva. The main topic will be negotiation of a comprehensive nuclear test ban treaty. Progress in the talks could be crucial in determining whether the nuclear non-proliferation treaty is renewed in April. All the declared nuclear powers except China have a temporary moratorium on testing, but France and China have been reluctant to conclude a treaty this year.

UK gets tough on adverts



Tough new rules governing printed advertisements, promotions and, for the first time, electronic media such as computer games, come into effect in the UK. The rules are published by the Advertising Standards Authority, the advertising watchdog.

New clauses on alcohol, snack foods and children, motoring, slimming and the environment are included. Decency rules have been more widely drawn and now state: "Advertisements should contain nothing that is likely to cause serious or widespread offence. Particular care should be taken to avoid causing offence on the grounds of race, religion, sex, sexual orientation or disability."

BCCI judgment

A Luxembourg court is expected to decide whether to clear a $1.8bn compensation plan for creditors of the failed Bank of Credit and Commerce International.

Luxembourg is the last of three courts required to approve the settlement between the liquidators of BCCI, Abu Dhabi, the majority shareholder, and creditors.

FT survey

FT Exporter.

WEDNESDAY 1

Macedonia hearing

Greece faces a hearing at the European Court in Luxembourg on its year-old trade blockade of Macedonia. Greece is accused of violating the Rome and Maastricht treaties by blocking EU trade with the former Yugoslav republic. The embargo has cost Macedonia an estimated $800m in lost trade. It will take at least three months for the court to decide.

Irish talks continue

The fourth session of talks between British officials and Sinn Féin, the IRA's political wing, take place at Stormont. The meeting comes on the eve of the publication of the long-awaited joint framework document which London and Dublin hope will form the basis for all-party talks on a settlement for the province.

Germany's economic report

Günter Rexrodt, economics minister, presents Germany's annual economic report, the most comprehensive overview of the state of the economy and proposed government policies.

Results in Monte Carlo

Société des Bains de Mer, the hotel and gaming group based in Monte Carlo, is to unveil its results for the first half of its 1994-95 financial year. The company is also expected to reveal details of its investment of about FFr100m ($18.86m) in a new thalassotherapy centre. The ancient practice of healing by exploiting the soothing properties of exposure to warm water extracted from the sea, will be on offer to wealthy bathers from July this year.

Rome to vote on Dini

Italy's Senate (upper house) is due to vote, after a confidence debate, on the government of Lamberto Dini, the new prime minister. The house is expected to confirm the lower chamber's Yes vote.

THURSDAY 2

Turkey talks with EU

Murat Karayalçin, Turkey's foreign minister, meets his British, French, German and Italian counterparts in London, in a last-ditch effort to clear the way for a proposed customs union between Turkey and the EU. A decision on the union is due next month, but has so far been blocked by Greece, citing Turkey's poor human rights record and its continued occupation of northern Cyprus.

UK economy

Kenneth Clarke, UK chancellor, and Eddie George, governor of the Bank of England, hold their regular monetary meeting amid mounting speculation that UK base rates will be raised soon from their current level of 6.25 per cent. Recent stronger-than-expected inflation data have fuelled City expectations of a rise soon after the meeting.

South American ties

The presidents of Venezuela, Colombia, Ecuador, Peru, Bolivia and Panama are to meet in Cumana, Venezuela, to discuss trade ties (to Feb 3).

Holidays

Brazil.

FRIDAY 3

Labour blueprint

The UK Labour party begins a three-day conference in Brighton to launch its blueprint for local government reform. Tony Blair, the party leader, and John Prescott, deputy leader, will fire the first shots in Labour's campaign for local elections across the UK in May. These are seen by party strategists as an opportunity to inflict serious damage on the morale of the governing Conservatives.

G7 welcomes US newcomer

Finance ministers and central bank governors from the Group of Seven industrial countries meet in Toronto to review global economic conditions.

The meeting is expected to provide an opportunity for Robert Rubin, the new US treasury secretary, to get acquainted with his counterparts from Japan, Germany, France, the UK, Italy and Canada. The implications of Mexico's financial crisis, aid to Russia and the Chechnya conflict are likely to be discussed.

The next G7 annual summit will be held in Canada in June.

French tête á tête

Francois Mitterrand, the French president, receives Jacques Santer, the new European Commission head, and Commission members in Paris for their first meeting of the French EU presidency.

Cricket

Fifth and final Test between England and Australia begins in Perth.

SATURDAY 4

Security under scrutiny

Defence ministers and Nato's top political and military leaders meet for the two-day European Security Conference – informally known as the Wehrkunde – in Munich. The official theme of the annual gathering is "Europe and America in times of change", but most of the discussion is expected to focus on what can be done about an increasingly unpredictable Russia.

Intellectual property row

Today is the last day for agreement on US demands that China improve its enforcement of intellectual property rights. Talks have so far failed to produce agreement on steps to curb Chinese piracy of such items as compact and laser discs and computer software.

The US is threatening to levy 100 per cent tariffs on $1bn worth of Chinese imports.

Holidays

Sri Lanka.

SUNDAY 5

French Socialists' candidate

The French Socialist party holds a special congress to choose its official candidate for the presidential elections in April and May.

The battle for the Elysée Palace, currently occupied by Socialist president Francois Mitterrand, continues since the decision late last year by Jacques Delors, the retiring president of the European Commission, not to stand.

Lionel Jospin, a former education minister, and Henry Emmanuelli, first secretary of the party, have said they are willing to run as candidates.

Test for Tokyo

The Japanese coalition government's popularity will be tested in six local elections, a foretaste of full local elections due on April 9 and 23. This round is for the prefectural governors of Aichi, Aomori and Kumamoto, plus the mayors of Hiroshima, Kitakyushu and Saga cities.

Compiled by Shelley Wood, Martin Mulligan and Angela Bleasdale. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: With the Federal Open Markets Committee meeting tomorrow amid speculation that US interest rates may be raised again soon, the batch of US data out this week is likely to attract particular attention.

Today's figures on US consumer expenditure in December are expected to show that spending remains relatively strong.

In the UK, data on M0, the narrowest measure of money supply, is expected to show a further slowdown in the rate of annual growth in January.

Wednesday: The influential US purchasing managers' index is forecast to show a small fall in January, suggesting that the rate of manufacturing growth may be slowing slightly. However, some economists expect that the price index may rise further, fuelling inflationary fears.

Friday: The US manufacturing and non-farm payroll figures are expected to show that employment continued to rise in January, eroding the labour market slack.

Data on factory orders is expected to show a slight slowdown in the monthly growth rate in December.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	US	Dec personal income	0.6%	-0.1%
Jan 30	US	Dec personal consumer expend	0.3%	0.6%
	Japan	Dec industrial production†	-1.4%	3%
	Japan	Dec shipments†	-	3.1%
	Japan	Jan W'sale price indx, 2nd 10 days	-	0.0%
	UK	Jan M0*	0.1%	0.7%
	UK	Jan M0**	6.9%	6.8%
Tues	US	4th qtr employ cost indx, civil***	0.9%	0.7%
Jan 31	US	4th qtr employ cost indx, civil**	-	3.2%
	US	Jan consumer confidence	102.3%	102.2%
	US	Jan Chicago purchasing managers†	-	67.5%
	US	Jan agriculture prices	-	2.3%
	Japan	Dec unemployment rate	2.9%	2.9%
	Japan	Dec construction orders**	-	20.8%
	Japan	Dec housing starts**	3.9%	4.5%
	Japan	Dec construction starts**	-	6.8%
	France	Dec unemployment rate	12.6%	12.6%
	Canada	Nov real GDP, factory cost*	0.4%	0.2%
Wed	US	Dec leading indicators	0.1%	0.3%
Feb 1	US	Jan Nat Assn purchasing managers	57%	57.5%
	US	Dec construction spending	0.5%	0.7%
	US	Dec export price indx	-	0.7%
	US	Dec import price indx	-	0.8%
	US	Jan domestic automotive sales	$7.4m	$7.6m
	US	Jan domestic light truck sales	$5.9m	$6m
Wed	UK	Jan Chart Inst purch managers	-	56.7%
Feb 1	Aus'lia	Dec current a/c†	-A$2.3bn	-A$2bn
(cont)	Aus'lia	Dec retail trade†	1.6%	-1.3%
Thur	US	Dec new home sales	681,000	693,000
Feb 2	US	M2 w/e 23 Jan	$3bn	-
	US	Initial claims, w/e 28 Jan	325,000	-
	Japan	Dec Bank Japan corp service price**	-	-1.2%
	UK	Jan official reserves	$25m	$62m
Fri	US	Jan non-farm payrolls	225,000	256,000
Feb 3	US	Jan manufacturing payrolls	27,000	54,000
	US	Jan hourly earnings	0.3%	0.3%
	US	Jan unemployment rate	5.4%	5.4%
	US	Dec factory orders	1%	2.6%
	US	Dec factory inventories	-	0.5%
	UK	Dec consumer credit	£550m	£677m
During the week...				
	Japan	Dec current a/c, IMF	$12.9bn	$9.6bn
	Japan	Dec trade bal, IMF	-	$14.2bn
	Germany	Dec manufacturing orders*	0.1%	-0.3%
	Germany	Nov capital a/c	-	DM9.7bn
	Germany	Dec import prices**	2.3%	2.2%
	Germany	Nov current a/c	-DM3.5bn	-DM7.2bn
	Germany	Dec industrial production*	0.3%	-0.1%
	Germany	Dec manufacturing output*	0.4%	0.1%

*month on month, **year on year, ***qtr on qtr, †seas adj'd *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD

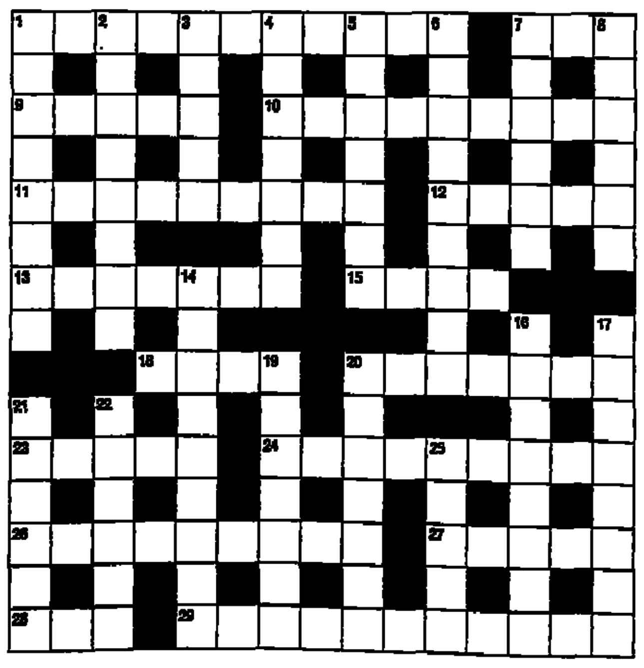
No.8,673 Set by GRIFFIN

ACROSS

1 Play to your taste? (2,3,4,2)
7 See 28 across
9, 10 Play riotously not louder, Jamie! (5,3,6)
11 See 28 across
12 Orchestra leader managed without string instrument (5)
13 They put vehicle back into service (3,4)
15 Elizabeth said "I see him!" (4)
18 When reversing spoil model vehicle (4)
20 See 28 across
23 See 28 across
24 Play Prince at 8, and this Queen (9)
26 Articles by firm on unusual sand snakes (9)
27 Weak head gardener's obsession (5)
28 and 7 across Drink these on first arriving (3,3)
28 and 11 across Stars get a breather when working (3,5,4)
28 and 20 across Play male relief worker during trial (3,7)
28, 29 and 23 across He then forgets what I'm bringing into play (3,6,2,3,5)

DOWN

1 Cancel bust of Rob in marble (8)
2 Whined after May upset me by blushing (8)
3 Curious about underwater vessel (1-4)
4 Angrily protecting honey badger I said why (7)
5 Stop Rose turning back (7)
6 I must note changes in German society (9)
7 Mean as an infuriated wasp? (6)
8 Prince is not returning in any case (6)
14 A right row over origin of plant (9)
16 Hamper obtained from there not the firm (8)
17 Throttle appears unfamiliar, new driver admitted (8)
19 Lady accepts bill for road surface (7)
20 The man missed the cause of treachery (7)
21 Has lantern a bit obliquely (6)
22 Elegant as a Parisian bar refurbished internally (6)
25 Pop round it, back into courtyard (5)



A prize of a Pelikan New Classic 390 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday February 9, marked Monday Crossword 8,673 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday February 13.

Name..

Address..

Winners 8,661

Mrs J. King, Borgue, Kirkcudbright
J.D.W. Black, Epping, Essex
D.G. Crossley, Great Barrow, Chester
C. Kennedy, Canterbury, Kent
Claire Slater, Birmingham
M. Wilson, London N1

Solution 8,661

H	A	B	E	R	D	A	S	H	E	R		P	U	P
E		A		O		L		A		E		O		A
S	O	C	K	S		L	A	N	C	A	S	T	E	R
I		H		E		E		G		P		T		T
T	R	E	A	S	U	R	E	D		P	I	E	C	E
A		L				G		O		E		R		D
N	O	O	N	D	A	Y		G	R	A	B			
T		R		A						R		I		S
			U	N	D	O		B	A	S	I	N	E	T
M		O		G		N		R				T		A
A	M	U	S	E		T	R	A	N	S	I	E	N	T
D		T		R		A		S		L		R		U
C	U	P	B	O	A	R	D	S		I	D	I	O	T
A		U		U		I		I		G		O		E
P	E	T		S	C	O	R	E	B	O	A	R	D	S

مكتبة عند الأصل